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THE INDIAN POLICY-HOLDER

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INSURANCE BUSINESS IN INDIA

"THE present grip of the Government, I must confess, is by no means merely an attempt to control the industry (Insurance) on doctrinaire reasons. It is a measure to end certain ills and malpractices which have been threatening to give Indian Insurance a bad odour. The intention has been honest and laudable, but the remedy in some cases has been very drastic and inexpedient so much so that it is more likely to corrode than contribute to the legitimate and healthy growth in many cases" Thus observed Mr. H K. Sen, M.Sc., F.F.A., in the course of his presidential address at the 23rd Annual General Meeting of Indian Insurance Institute, Calcutta. Mr. Sen's views on the future of Indian Insurance deserve every consideration. In his address he has stressed on three points. Firstly, Mr. Sen whole-heartedly supports the idea of collective advertisement. In such a vast country as ours where majority of the population are not educated and where generally the public do not appreciate to the extent necessary the value of insurance protection, individual institutions cannot effectively carry on the propaganda Jointly, all Insurance Companies can pool annually some substantial amount and carry on propaganda particularly in the rural parts of our country. No one can deny that the results will be appreciable and the attempt is worth its price. Secondly Mr. Sen is of the opinion that Insurance Business has been handicapped to a great extent by State intervention. He admits that Indian Insurance Companies were lacking in many respects and it was the duty of the Government of India to bring about suitable measures to check them in the interests of the public But he observes that some of the provisions of the Insurance Act are so drastic and inexpedient that instead of helping the Companies to pursue sound policies, they serve to drive them to the walls. Taking for instance the attempt of the Government to fix the limits for expenses that can be incurred by individual institutions, Mr. Sen points out that the measure is wrong in principle. His contention is that it is not possible for any two offices to be identical in the matter of expense ratio alone when they are not expected to be so in all other matters. In fact, the experiences of any two offices will not be exactly similar. So according to him, an Institution that does not incur expenses beyond the limits set up, is likely to disclose a deficit if it undergoes a valuation. On the other hand, another Institution whose expenses are much more than what it can legitimately spend under the provisions of the Act, is also likely to disclose a substantial surplus when valued. Life Insurance is a most complicated business whose actual working is based on assumptions and unless those assumptions prove favourable in the actual working, success will be remote. At least all offices can be regulated in the matter of assumptions, but no office can be forced to have the same experience with regard to mortality, interest earning etc., as others. There are no two opinions on the principle that Mr. Sen has taken pains to advocate and we are sure the point would not have escaped the attention of the Government and the various Actuaries and managements that supported the idea of fixing up the expense ratio. And no one seemed to profess that by forcing the institutions to conform to the limits of expenses alone, the whole business can be made to rest on healthy foundations. The idea behind the provision restricting the ratio of expenses was something like a check to an unbridled horse. Such prescribed limits are totally unnecessary to Institutions that are run on sound lines and whose managements are conscious of their responsibilities to the policyholders. Indian Insurance is now passing a transitional period and a good number of young institutions and equally a large number of undeveloped old Institutions, in their anxiety to do more business scattered to winds all canons of sound underwriting. The net result of their experiment was not only a loss to the insuring public but also proved a menace to the smooth working of institutions pursuing sound principles. The Government of India, it may be realised, did not bring in all the provisions overnight. Rather, it is the other way about. They have been more indulgent in the past and waited sufficiently long, living in the fond hope that the Insurance Companies will themselves find a way out to put an end to undesirable practices. But, instead, the position was getting gradually deteriorated and the Government of India had no other go but to intervene with legislation knowing full well that the provisions are likely to hamper the growth of a few Offices. If the public are to be protected from the indiscriminate adventurers, one can see no other way except such drastic legislative measures. Now it is for the Insurers themselves to prove beyond doubt that they will not indulge in indiscriminate spending of the poor policyholders' funds if the provision relating to expense limits is to be deleted from the statute.

The third point that Mr. Sen has stressed in his address is the Government setting up an Insurance Corporation mainly for the purpose of transacting reinsurance business and to take over companies that are not financially sound and that could not get amalgamated with any other Institution. The suggestion is one over which Government may give their serious consideration. Setting up a Re-insurance Corporation is not a new proposal, but any way the suggestion that it can absorb institutions in difficulties deserves support. His opinion that the Estate Duty Bill should exempt insurance policies to the extent of Rs. 1 lakh instead of Rs. 5000 as at present provided has country-wide support and it is to be hoped that the Government of India will reconsider the recommendation of the Select Committee before the Bill is put on the Statute.

The Role of Branch Offices

BY S. D. SRINIVASAN, M.A., F.I.A.,

Manager, National Insurance Company, Ltd.

PLEASE allow me at the outset to convey to you my most sincere thanks for the signal honour you have done me by making me your Chief Guest on this occasion. The Patna Insurance Club have always been very selective in this respect and many have been the insurance luminaries who had graced this chair on the previous occasions. I do not claim the dignity or the distinction of my predecessors and, if I have been forced on this high pedestal, I climb on to it in all humility.

It is not conventional modesty which prompts me to say this. Believe me when I say that I feel genuinely embarrassed in managing the flowing mantle of the Chief Guest and, when I ruminate over the past galaxy of your Chief Guests, I honestly feel that this is only a fire-fly in the company of the full-moon.

You have, therefore, none but yourselves to thank for if you are denied the privilege of a learned discourse to which you have been accustomed over the years. I have my justifiable hesitation in speaking like on expert before a gallery of experts as all of you are, being men of proved abilities in the profession of insurance. I feel that it may be skating on very thin ice if I were to attempt parade technicalities of the trade before the technicians. Similarly controversial matters too should be sidetracked on such occasions as, otherwise there is the risk of more smoke than light resulting from such discussion.

But I realise that there could be no rose without a thorn. In the same way, there could be no Chief Guest, I suppose, without the attendant compulsion of having a speech to make. But gentlemen, I warn you that you have invited this infliction and should now accept it on sufferance.

Having, however, put technicalities and controversial issues in the cold storage, I have decided to make it a heart to heart talk. I propose to talk about yourselves—not in the abstract, of course, but in the concrete. There again you have your technicalities. All men have. The foundation of all human beings is in the technicalities of human anatomy and physiology. But the saving grace is that all persons have a personality too and I propose to discuss how far you could profitably project your pleasant personalities in your concrete manifestation.

You are mostly, with of course some exceptions, Branch people, that is you belong to one or the other of the various Branches of the insurance companies whose Head Offices are beyond the jurisdiction of this historic city of ancient Pataliputra. The Branch can therefore be rightly regarded as your concrete manifestation. Naturally, a Branch is what you choose to make it. And what can you not make it!

for the purpose of revival. This completes the circle. The way out is a shorter and a more direct line from the client to the Branch.

For this and other purposes, the Branches should develop more initiative. They should shake the psychological complex that they have always to play a subservient role to the Head Office. This is like refusing to grow up for fear of shouldering the responsipillities of manhood. The Branch need not and should not be only a post office for the Head Office. The Branch has a definite mission. It has a definite role to play and for that it must be complete in itself.

Justification of the existence of any Branch lies in its capacity for rendering service to its constituent part. To attain its rightful stature, a Branch should equip itself for complete and comprehensive service. In any given area, there are likely to be Branches as well as Head Offices and it will never do for a Branch to be beaten by the Head Office in the matter of satisfying its clients. A Branch of any size and reputation ought to be able to meet all the demands made on it by its policyholders. This can be assured only if the Branch has a disciplined and well fitted staff for the job. This can be built up, but it is essential for the purpose that the top officials should devote equal attintion to the office and the field. I may say that nothing spoils a good field so quickly and completely as a bad office. Good sales cannot be maintained on bad servicing.

While still on the subject of rendering services, I might also point out what a great pity it is that, though insurance is so good a social service, it is so badly talked about by the people. What is possibly worse is the complex common amongst the people, and probably shared by some in the trade too, that our services cannot reach the standard of those rendered by the foreign insurers. You certainly know without being told how fallacious and false this is. Such complex can be dispelled only through educating the people and here I think it should be the responsibility of the Insurance Club of Patna to give this service to Indian Insurance. But I must warn that in this respect an ounce of real service is going to be more effective then a ton of--excuse my saying this—lip service.

As a matter of fact, a Branch is in the happy position of establishing almost a personal relationship with its costituents. The Head Office is impersonal while the Branch is nothing if it has no personality. That atmosphere of cordiality which is the first pre-requisite for happy human relationship should be the aim of all Branches. Service, before and after sales, should be given with a smile. People should come to you as they do to trusted friends.

Individually all of you are extremely popular, both in your professional and social spheres. That personal popularity should be a part and parcel of the make-up of the Branch. Your Branch should be a reflection of yourself and that is why after proposing to talk about you, I talked about your Branch about what it is and what it should be. To me, you and the Branch are synonymous. This identity of interest is what makes the working of a Branch so absorbingly interesting. The discerning mind can always see the unfolding of the personality on the people of

the Branch in its working. It is the quintessence of insurance and is only within the capacity of a Branch to achieve it.

I feel that this is an ideal worth striving for. Of course, it is not easy. Competition these days is very keen and it is not surprising to find the Branches in any area at cross-purposes. But that should not be allowed to create bad blood. There is, to my way of thinking, a thrill in matching steel against steel. There is a pleasure in watching the clash of personalities. This is because in such cases the rules of the game are never thrown over the board. They clash to fight, but with them courtesy is never on the casualty list. Competition in one field need not be inconsistent with co-operation in other spheres. You can certainly fight your legitmate fights to a finish without getting bitterness in the bargain. There should be no lack of a feeling of charity and there should be no hesitation in admitting that the better man has won. Competition is bad only if it is sordid. The world could do with more of honest competition.

Perhaps what I am saying now is like carrying coal to New Castle. This ancient city of Pataliputra was the seat of The Great Asoka of sacred memory. It has naturally a proud tradition of love and charity to all and ill will to none. This tradition is yours and it should inspire you to make all your Branches here like yourselves—delightful, dignified and ever willing to serve and please.

(Speech of the author as Chief Guest at the Patna Insurance Club, recently)

* * *

Business Insurance is not complex !

By D. B. FLUEGELMAN, C.L.U.
President, National Association of Life Underwriters, New York, N.Y.

It is common knowledge that the field of business life insurance has barely been scratched. Probably that is so because most life underwriters believe that business insurance is an extremely complex subject — technical and beyond their scope. Actually, the reverse is true — business insurance offers a tremendous opportunity to any intelligent life insurance salesman.

The business approach often makes it much easier to obtain an initial interview. Everyone likes to talk about his business. When we open up the subject of business insurance, we talk to the prospect about his business, his hopes and his accomplishments: hence, we are almost certain to obtain a favorable interview. Although we may have clients who are no longer interested in discussing personal insurance, they are usually interested in discussing their business problems and business insurance as a solution to these problems.

The Approach

The concept behind a business insurance approach should be simplicity itself. Personal insurance sales result from the recognition that personal insurance will replace to his family, the loss of a man's economic life value which would have been available had he lived. Exactly the same principle is involved in business insurance, except that we are concerned with replacing the business value which will be lost in the event of the owner's death.

We must maintain a proper perspective and point of view. There is scarcely a man engaged in business who has not protected his business property and assets against loss of fire, burglary and other property hazards. We should point out to him that his property and other assets are worthless without one other factor and that he is that factor. Only through sound application of human energy and brain power can a business continue to produce profits. The largest corporations in our country would soon be bankrupt without sound management. The assets, themselves, produce nothing if they lie dormant.

The Primary Motive

In entering the field of business insurance a life underwriter should base every recommendation he makes upon a sound business need. The primary motive must be aimed at solving a problem, regardless of any possible tax advantages. In estate planning, the method of distributing the estate owner's property is paramount. Likewise, the solution to some specific business problem should be uppermost in the minds of those interested.

The problem in every case is simple and is always twofold. First, there is the matter of liquidation or its equivalent, as far as the deceased is concerned.

Second, someone must be found to carry on the business. The services of business life insurance concern themselves with solving the problem of liquidating or transferring the business interests, and in creating a fund to accomplish it. Also to be recognized is the fact that human life is of great value to a business and that it is necessary to create a fund to reimburse the business for the loss of this valuable factor.

Small organizations are our best prospects. The very large businesses haven't the same precise need for liquidation that exists in a smaller business. An organization like General Motors will go on just as well regardless of how many of its stockholders may die. However, a corportation with a small capitalization, owned by two or three stockholders almost certainly will go "on the rocks" unless some means is found to reimburse the heirs of the deceased for his stock interest and to enable the surviving partners to carry on the business unimpeded by debts, obligations, or the demands of the family of the deceased stockholder.

Although it is essential for us to have a working knowledge of the subject so that we can answer questions intelligently, we don't have to have the same knowledge as attorneys, trust officers, or accountants. But these specialized parties play a part in the business picture and we should have their confidence and co-operation.

The Sole Proprietor

There are three basic types of business organizations, each with its special problems. The sole proprietor comes first, because there are more sole proprietorships than other types of business. What happens to such a business upon the death of the sole proprietor? Liqudation, if necessary, could mean a forced sale under prevailing market conditions, with loss in the value of the assets almost sure to follow. In addition, there is a definite loss of the good will value, because no one pays for this factor in a liquidation under forced conditions. If not provided by will or agreement, the law requires liquidation unless the heirs agree to carry on, and unless there is enough cash for this purpose. Usually, the heirs do not agree, and seldom is there enough ready cash available to continue the average business.

There is a distinct advantage in a buy-and-sell agreement under which certain employees agree to buy, and the executor of the deceased sole proprietor is bound to sell, at a figure agreed upon as reasonable, while the sole proprietor was still alive.

Actually the problems could be solved in a simple manner He should find one or more employees who he feels are capable, and anxious to carry on his business. They should then execute an agreement whereby they will purchase his business interest at his death, financing the purchase through life insurance which they will buy and own on the sole proprietor's life. The sole proprietor can simply pay to the employees sufficient increases in compensation to enable them to pay premiums for the insurance.

Here is an illustrative case of a business valued at $ 100,000 which was to be sold to two employees. The premium for $ 100,000 of insurance on the sole proprietor's life was about $ 4,000 annually. He gave $ 2,000 additional salary to each of the two employees, who paid for the insurance on his life, making the proceeds payable to his estate in return for the business.

In addition, the employees were bound to him by an agreement that would be of great benefit to them at some time in the future, and he gained the value of their loyalty and efforts to maintain and operate the business successfully. It is unlikely that they will leave his employ, when they look ahead and see the prospects of owner-ship of his business.

The Partnership

In partnerships, it is important to explain to the prospect the type of arrangement under which he is operating. Surprisingly, relatively few partners realize the legal implications in a partnership setup. Two distinctive characteristics should be called to their attention.

First, there is an unlimited liability on the part of each partner, who may be held accountable for the actions of his partner. What concerns the underwriter to a greater degree is the second characteristic—the limited duration of a partnership. It automatically ceases at the death of a partner. This is the law, but many partners refuse to believe this when you first tell it to them. The death of a firm member means liquidation of the firm, or reorganization. These are the only two alternatives and the surviving partner is the liquidation trustee.

Under liquidation, the survivor must wind up the business, settle accounts, find a purchaser for the assets, pay the debts, and divide up the remainder, if any, with the heirs. Under forced liquidation, there is frequently little or nothing left after all this is done.

The other alternative is reorganization, which is not much more encouraging than liquidation. Let us first look at reorganization as applied to the survivors. There are several alternatives.

First, they may take in the heirs as new partners. This is usually undesirable because the heirs probably have no knowledge of the business, nor the ability to contribute towards its success. Another alternative is to take in the buyer of the heir's interest as a new partner. This may be even more undesirable because the buyer of an heir's interest may have an ulterior motive and seek to milk the business rather than to contribute to its further growth..

A third alternative is to sell out to the heirs, and this is the most undesirable of all because the survivors are then selling their business interest and means of support. The last alternative is to purchase the heirs' interests, and this would be desirable, providing the survivors had the money to do it. Furthermore, they would have to make the purchase as a result of negotiations with the heirs, and one or the other might come out the worse under the bargaining negotiations.

Reorganization as applied to the estate of the deceased offers exactly the same alternatives as to the survivors, and the first three alternatives are equally undesirable for the reasons outlined. The only advantage to the estate of the deceased is that the choice rests with the heirs and they may take whatever alternative seems best under the circumstances.

Solution to the Problems

As life underwriters, we are in a position to offer a very simple and effective solution to these problems. The partners should execute a binding buy-and-sell agreement made at arms-length, whereby they agree to sell one another's interests to the survivor in the event of the death of one of them. This agreement should be drafted by a competent lawyer. Actually, when we have convinced them of the desirability of a buy-and sell agreement, our job is done. All we have to do is to ask the one vital question: **Have you the money with which to fulfill the agreement?** The answer will invariably be "no", and we then can point out the importance of establishing a method to provide cash and fulfill the agreement.

The sole reason for the insurance is that it is the only method known that will guarantee the availability of the exact amount of cash needed at precisely the time it is required. Life insurance puts teeth into the agreement.

The insurance on each partner should be carried by the other partner, who would own the policy and pay the premiums. In this manner, and under one type of arrangement, the survivor could receive the cash with which to purchase the interest of the deceased partner.

Frequently, partners will indicate that it is unnecessary to purchase insurance because the buy-and-sell agreement provides for paying out the interest of the deceased partner in installments after his death and there will be ample income to accomplish this. The fallacy in this reasoning may be indicated by pointing out that even if the gross income were doubled to the survivor after the death of one of the partners, he would be faced with a higher income tax liability and have less net income left than was available to both partners during their lifetimes.

Furthermore, he will have the extra expense of hiring a replacement for the deceased, so that he will have little left to meet installmet payments. He will actually be much worse off, incomewise, while paying off his obligation than he was while his partner was alive. So far as the deceased partner's estate is concerned, it will be faced with a tax problem, and without ready cash from the survivor to meet this obligation, it may be necessary to liquidate other estate assets

Corporations

In dealing with corporations, practically the same problems which are apt to arise in partnerships should be considered While a corporation does not cease automatically at the death of a stockholder, and hence there isn't the same danger of forced liquidation, nevertheless it is often very desirable to buy out one another's interest in order to leave the survivors in control of the corporation. This also assures the executor of the deceased stockholder of a prompt cash settlement, rather than an interest in a business that may or may not pay dividends and, therefore, prove of little value to the decedent's wife and family.

Once the need of a prearranged plan is recognized and agreed upon, this question often arises: Should the corporation or the stockholders purchase insurance on the lives of the stockholders to support the terms of the plan? There are advantages and disadvantages under either method. Some entail intricate legal technicalities, and space does not permit a full discussion of the various factors. However, we shall note some of the alternatives that exist.

Assuming that A and B are each 50 % stockholders, who should purchase A's stock in the event of his death? B would be a logical purchaser, and could own insurance on the life of A in a manner similar to that outlined under the partnership arrangement. But, that raises the question: "Should the corporation itself be a party to the agreement and buy the insurance? When permitted by law, as is usually the case, the corporation could use the proceeds of the insurance to buy back the decedent's stock and thereafter cancel it. This, automatically, would make the survivor sole owner of the business.

Another alternative would be for the corporation and B to enter into an agreement under which part of the stock may be retired, and part purchased by B.

Still another alternative is to have a member of B's family purchase the insurance on the life of A. This is a big field, and is becoming increasingly more popular. For example, the wife of B could own the policy on the life of A, so that upon A's death she would secure his stock. B and his wife each would then become 50 % stockholders of the corporation.

There is another important reason to cover the agreemens with insurance, rather than to depend on installment payments after death. In the latter instance, the heirs risk their business interests on the profitmaking abilities of the survivors, who own the business while this is being done. They are, in a sense, allowing their own property to be used as collateral security for notes due to them.

When no consideration is given to the problem in advance, the matter of valuation of stocks in close corporations often proves to be extremely troublesome. While many formulae are frequently referred to and employed in varying degrees by the taxing authorities, final figures actually, if within reason, are time and time again dependent on the higher courts. Alert stockholders, sensing the expenses of litigation and loss to the business because of delays and uncertainties, often enter into an agreement at "arms-length" because they know that a fair market value set up in a properly drawn agreement is usually accepted by the Treasury Department for Federal Estate tax purposes. Therefore, worth-while economies to all concerned follow.

It is important to keep in mind that the primary source of income to stockholders in close corporations is their salary as employees. When death occurs, this salary ceases. The income of the family of the deceased becomes dependent upon such dividends as may be declared. While the stock of many corporations may be very valuable, based on its book assets and liabilities, it has no market. **This, as a rule, is because it has no dividend paying policy.** If there is no agreement requiring the purchase and sale, as touched upon above, the widow will most likely be found holding an unprofitable investment. An agreement under which the corporation (or surviving stockholders) binds itself to buy the stock of a deceased stockholder, guarantees a fair value of the stock to the deceased, helps to peg the value for estate taxes, and increases the value of all shares to the surviving stockholders.

Professional Partnerships

A field that should become of increasing importance to life underwriters is that of professional partnerships — for example, attorneys, accountants, physicians. In this type of partnership usually, the tangible assets are not too great, and no good will is generally apparent on the surface. The only manner in which a deceased partner could realize some benefit for his years of work in helping to create and maintain the partnership, is through an agreement whereby his estate will be recompensed following his death.

Under this type of arrangement, provision for the continuation of a percentage of annual earnings for a limited number of years is sometimes found desirable, rather than a plan under which purchase is made of an interest in the fixed assets. Income tax problems that may arise require careful attention, and as is true in setting up any plan, services of an attorney must be employed.

The Key Man

It is surprising that there is not more appreciation among most business organizations of the value of their key personnel. While men and business recognize the value of physical assets, many of them do not recognize that the most important asset of all, in any business, is the value of the brain power—of the key men—those individuals who make the wheels turn.

Key man insurance is brain insurance, covering the most valuable asset in the business—the one that produces the profits. Premiums for key man insurance should not be regarded as an expense, but rather as a business investment for the future success and prosperity of the organization. It provides a handy form of surplus that could prove invaluable at some time in the future. It provides protection to the creditors of the organization and frequently is utilized to facilitate the floating of a bond issue. But, most important, it is the best method of amortising the property value of the human life.

Actually, no one earns income from year to year. Rather, he draws down a proportionate part of the value of his life, and key man insurance is equivalent to a sinking fund intended to replace the exhaustion of life values. To phrase it differently, key man insurance is like fire insurance in the event of a man's death — an amortization fund when he is no longer economically valuable to the business. Business failures are usually caused by personal rather than impersonal reasons, and it is desirable to build a fund to replace the almost certain loss that will occur in the event of the loss of valuable personnel.

The advantage of key man insurance leads directly to consideration of life insurance as a capital asset. In the opinion of many, life insurance is one of the most important assets that could be held by any business. Contrary to popular impressions, it becomes particularly valuable during an inflationary period. Most people buy equities during a period of rising prices, so that when the turn comes, the equities are the first to lose in value. Actually, the thing to purchase during an inflation is dollars, because

they may be bought very cheaply and will rise in value when the inflationary spiral ends. We all know that life insurance is merely the purchase of dollars for future delivery, so it would seen to be very good business to make the purchase with cheap dollars and look forward to receiving dear dollars at some time in the future.

A Professional Attitude

Most important of all, is the necessity for life underwriters to maintain a professional point of view at all times. The welfare of our clients must always be our primary consideration, and if we take care of their interests well, we are certain to serve our own interests at the same time.

An analytical study of the business situation of our prospects and clients will inevitably uncover the necessity of some type of business life insurance coverage. If we make this analysis in a completely impartial and honest manner, we are certain to gain the respect of our clients and develop new markets of which we were previously unaware.

Indian Insurance and its future

By H. K. SEN, M.SC., F.F.A.,

(Extracts from his Presidential address delivered at the 23rd Annual General Meeting of Indian Insurance Institute on 29—5—1953.

THE system of collective advertisement, the redeeming feature of the Institute, introduced as the most useful and economical vehicle to educate the public about the benefit of insurance, merits a much greater measure of patronage and persistent pursuit through various media of publicity. In a country like ours where the majority of the population is shy of insurance and also not a few of the insuring public appear to be prejudiced against the quality of our services and enamoured of the services of foreign companies, we will be losing our ground increasingly unless our insurers come forward to lend their concerted support in educating the ignorant and the sceptic public. The benefits of insurance, soundness and security of easy investment, propriety of covering risks of human life and property, clear exposition of the implications of policy conditions, ways and means of prompt settlement of claims and good intentions of our national institutions must be brought home to the remotest corners of our great and large country through collective publicity. With adequate publicity and service by our trained salesmen Indian insurance is, I am confident, capable of making much headway. The spirit of service should be kept to the forefront. The general misconception that the payment of premium is a speculation without any capital investment can only be removed through efficient service by our salesman and offices. Public apathy can only give place to proper appreciation of the enduring benefits of insurance only through effective service.

Insurance business in our country has been, as you all know, handicapped by many complexities due amongst others to the increasing intervention of the state in the business as a whole. The present grip of the government, I must confess, is by no means merely an attempt to control the industry on doctrinaire reasons. It is a measure to end certain ills and malpractices which have been threatening to give Indian insurance a bad odour. The intention has been honest and laudable but the remedy in some cases has been very drastic and inexpedient so much so that it is more likely to corrode than contribute to the legitimate and healthy growth in many cases. For example a simple series of index ratios for expenses with very minor variations due to size as envisaged in the statute is unscientific and goes counter to the principles on which the entire structure of insurance stands. My observations will be borne out by the answers to two simple questions I would like to indulgently put to you. Firstly, there are two offices, one earning consistently a larger profit than another, both charging the same premiums. Is it pertinent to suggest that the former is

better managed than the latter? Secondly, two offices charging the same premiums make identical profits. Does it indicate that the experiences of the two offices are identical? The answer in each case is an unqualified "No". The indications in the first case are that the proportions of risk of different types in the two offices are not the same and also the excess of premiums charged over the actual cost of cover are different in the two offices. The office making a lower profit may not shift over to the same proportion of risks as the other, for greater profits for the simple reason that a shift over to a different class of prospect can hardly be feasible without a serious repurcussion on its business. It has been my professional experience that the mortality experience of different offices vary widely and the difference between the highest and the lowest may be as high as 30 %. The reasons are not far to seek. Mortality differs from state to state and also from class to class in the same state. Variation in mortality experience of different offices is not due to carelessness or indiscreet selection of risks but because the constituents whom the offices cater differ. Coming to the second question the profit is, as you all know, the resultant of several factors and the sources of profits of two offices may be entirely different. One office may be experiencing a loss on mortality and earning a profit from expenses. Another office may lose on the expense account and the loss might be fully compensated by the profits disclosed from mortality and interest.

I have given you the two examples to impress upon you the diversity of experiences of different offices. The panacea prescribed in the statute, namely controlling only one of the elements entering in our business without regard to others, is not only unscientific but also likely to create and aggravate the ills in many cases. The situation now created has practically blocked the way for smaller and middle sized companies, otherwise, healthy to an economic growth. With persistence of inflationary trends and high cost of living it would be impossible for the companies with a comparatively low premium income to keep their expenses within the statutory limits. In 1951 out of all the Indian insurers 45 % of the companies failed to remain within the statutory limit of expenses and of these 44 % showed surplus in the last valuations, 34 % revealed a deficit covered by paid up capital and only 22 % were insolvent. It would be a pity if these 78 % of the defaulter companies which otherwise by all standards of test would be considered as solvent and have a reasonable chance of survival, are compelled to close their doors due to noncompliance with the statutory provisions for expenses. The only safeguard under which these insurers can seek shelter in the present set-up is the leniency of the governmental administrative machinery. It would, however, be difficult for the government to exercise its discretionary powers and dole out its favour of leniency without subjecting itself to public criticism on the score of discrimination; nor can it do so without a thorough knowledge of each individual insurer deserving such favour.

The statutory provisions for expenses have, however, come to stay and I can only foresee an era ushering in, in which a large number of smaller insurers will have to close their doors. A study of the valuations of the insurers reveal that 37 %

of the total number of life offices show deficiency. Of these, deficiencies of 44 % of the companies are covered by paid up capital and the remaining 56 % are insolvent. These companies in deficiency are as it were caught in the trap of a vicious circle. They are prevented from expanding to an economic level by judicious spending, say out of the paid up capital and unless an economic level is reached those insurers would again be faced with difficulties even though the insolvency is temporarily patched up. Again, many of the companies now solvent may have to close their doors due to their inability to comply with the statutory provisions in relation to expenses. What does the government propose to do about them? Can it allow these companies to go into liquidation one atter another and remain a disinterested witness to the detriment of the poor policy holders and of the industry? The solution is to rationalise companies with premium income below the economic level, and the method that would immediately suggest itself is amalgamation of small companies to form bigger units. But uptil now such rationalisation has not been possible and also the bigger companies are often reluctant to absorb companies carrying a bad name.

My own view is that the government should start immediately an Insurance Corporation to which business of all defaulting or insolvent insurers may be transferred before their funds are frittered away and the loss increased. Such a Corporation should not be allowed to do direct business but for its own sustenance and self-sufficiency it should have the monopoly of reinsurance business. All reinsurance business in the first instance should pass through this Corporation which will redistribute amongst other insurers the excess over its own retention. Thus the Corporation would serve the double purpose of protecting the policy-holders of sinking companies and preventing reinsurance premiums from flowing out of our country.

In the field of investment the statutory grip has hardly left any room for the exercise of the discretion by the insurers. Moreover, in a recent statement the Finance Minister expressed his views in favour of more positive and direct control of the investment of insurance funds. It appears that the government is inclined to direct the insurance funds to investments ancillary to national development by a body set up by it. In such an event the government should guarantee a minimum rate of interest not less than 4 % to the insurers. In our country the insurance premiums, which vary inversely as the rate of interest earned on investments, are one of the highest in the world, and this is due amongst other causes, to the very low yield on the insurance funds due to restriction on investments.

The high expense ratios experienced by our insurers are also one of the reasons of high premiums. The expense ratios can only be controlled and reduced by concerted efforts of the insurers themselves. The craze for new business through unhealthy competition without having an eye on the premium income has been mainly responsible for dreadful and disproportionate expenses. This unholy race for competition has brought in its wake inordinately high cost of procuration and heavy lapsation. It should be noted that a regular flow of profitable premium income is one of the yard-sticks against which the success of an insurer is measured. It is gratifying to note that recently every insurer has become conscious of the importance of the premium income and the Insurance Executive Council has formulated a voluntary Code of Conduct to combat the corrosive evils of high cost and heavy lapsation. Though the Code formulated appears to have overlooked certain important practical aspects of the industry, I hope it will be modified from time to time to bring it in conformity with the changed conditions and requirements of the industry as otherwise the Code will, I am afraid, sooner or later meet its doom.

The Estate Duty Bill which has emerged from the Select Committee would soon be an addition to our statute. Any form of taxation hampers saving and stands in the way of development of private enterprise. The Government taxation policy has already told upon life offices and raised apprehensions in the minds of insurance interests. Insurance policies which are the only means of saving of the poor and the middle class population of our country, should have been exempt from its operation. The Bill that has been presented to the legislatme allows exemption only upto Rs. 5000/- which is much too low to be of any significance. The limit should have been at least Rs. 1 lakh. The Select Committee has recommended that insurance policies issued only to cover the Estate Duty should be altogether exempt. This however is a silver lining to the otherwise dark cloud. Insurance Companies can by their expert advice render a very useful service to their constituents in estate planning and attract a good volume of business as cover against Estate Duty.

There has been a growing speculation about the future of insurance in the context of a major political change and our country becoming a socialistic state. In such a contingency there should be no room for any misgivings on this score particularly amongst those engaged in insurance. In all its sectors insurance will be as much a necessity in a socialist as in a capitalistic economy. U. S. S. R. is an example to the point. Apart from insurances against calamities damaging or destroying means of production, private voluntary life insurance was started immediately after the Revolution. The level premium life insurance plan was introduced in 1943 and within a period of six years more than three million life insurances were in force. With the exclusion of war risks almost all types of policies are issued. Business is secured through agents paid on a fairly high rate of commission. The insurance is of course a government monopoly under the Ministry of Finance and a rate of interest of 5 % is assumed in the calculation of premiums. Since the insurance funds are kept separate the rate of interest of 5 % is presumably guaranteed by the government. It will however be idle for us to visualise a socialistic state without the minds of the people being socialised.

Co-operative Insurance

By K. C. DESAI, B.A., LL.B.,

(Excerpts from Speech made at the Fourth Annual General Meeting of the Shareholders of the All India Co-operative Fire & General Insurance Society Ltd., Bombay.)

THE most discussed event during the year has been the publication of the **First Five Year Plan** by the Government of India. This Plan was worked out by the Planning Commission and was presented to the Government of India and has been officially adopted by the said Government. The Plan has been an all pervading one, but at the same time the practical aspect has not been lost. This Plan has also in view the development of the co-operative movement. True to our constitution, the Plan has kept in view the goal of the Co-operative Commonwealth. It has adopted the principle that wherever possible, the development of the country should be achieved through co-operative means. I am tempted to quote the following from the report of the Plan :—

"Since the passing of the First Co-operative Societies' Act in 1904 co-operation in India has not only widened in variety and content, but has gradually assumed quite a different significance in the context of social regulation. When individualism was the order of the day, co-operation represented a defensive act of association on the part of individual citizens. But with the adoption of the principle of social regulation the co-operative societies came to fill a more positive role. The co-operative form of organisation can now no longer be treated as only a species within the private sector. It is an indispensable instrument of the planned economic action in a democracy. Co-operation must, therefore, be an essential feature of the programmes for the implementation of the Five Year Plan adopted at all levels of administration."

This reference in the Five Year Plan to the Co-operative Movement should encourage all the co-operators working for the cause.

Last year I told you that in order to achieve the goal of the Co-operative Commonwealth we must have our Banking, Shipping and Insurance developed on co-operative lines to the fullest extent. It is satisfactory to note that the Co-operative Banking has made appreciable progress earning congratulations from all sides. In the same way, the co-operators working for Co-operative Insurance should infuse enthusiasm in the whole co-operative world so that the co-operative insurance may also develop to the highest degree. In the Life Insurance sector the achievement is considerable though there is yet a vast field to be covered so as to attain still greater heights. The General Insurance sector has not yet developed to any great extent. Efforts however, are being made in several States, so that the General Insurance sector may also develop with greater energy and to a greater extent. With the development of co-operative marketing, co-operative industrials, co-operative housing and co-operative

banking, the development of the co-operative fire and general insurance is extremely important for the progress of the whole co-operative world. It is however, felt that the co-operative fire and general insurance has not the proper support from all the quarters from which it has a right to expect such a support. The activities that are continued under the protection and help of the Co-operative Societies' Act should naturally extend their support and help to the other co-operative activities wherever possible. For example, the Co-operative Industrial that thrive with the aid, assistance and protection of the co-operative world, should in their turn take their insurance covers from Co-operative Insurance Societies only. Of course a beginning has been made in this direction, as a result of which our Society has been progressing slowly but surely. The State and the various deparments of the State also should, in order to reach the goal of the Co-operative Commonwealth, be actively alive to the existence of co-operative societies, and try to extend their support and patronage to co-operative concerns in all the directions. That this is not being done has been recognised by the Planning Commission. On page 83 of the Report of the First Five Year Plan (People's Edition), we find the following:—

"In the past there have been occasional complaints that while the State generally sponsors co-operative societies and desires to accord them preference, in actual practice agencies other than co-operatives often receive better treatment from a number of departments. It has already been indicated that the various forms of co-operative activity impinge on many departments. Therefore, unless every department and every Ministry accepts and adopts the policy of fostering co-operative methods of business, rapid and enduring results cannot be obtained."

When an authority such as the Planning Commission has realised this, I have nothing to add to it. I will only stress the point that wherever possible the Central and the State Governments also should recognise the existence of the Fire and General Insurance Societies and assist them as best as they could. Since State trading directly or through the State-controlled Corporations is the order of the day, the State does control a large amount of fire and general insurance premium which can be diverted to a great extent to the Co-operative Fire and General Insurance Societies.

I am reminded at this stage, of the directive given by the Union Government to the various States in connection with the fire insurances of the properties belonging to the State or State-aided institutions. The directive says that all such insurances should be placed with the Pool consisting of Indian Insurance Companies. This directive is commendable in as much as the insurances go to Indian Companies in preference to non-Indian ones. The directive however, overlooks the existence, of Co-operative Insurance Societies. Recently our Society was offered by a University in the State, its insurances, but they were advised that it was not possible for them to place the Insurance with the Co-operative Insurance Society in view of the directive that the insurance should go to the Pool. There are other instances of a similar nature. Thus, the State in this case though perhaps unintentionally is coming in the way of our Co-operative Insurance Society getting certain insurance business. My submission therefore, is that in all such directives the mention of co-operative societies should be made together with the instructions of placing insurances with the Pool and the Co-operative Insurers. I would suggest that a definite percentage of all such insurances should be diverted to the co-operative societies.

I would make a suggestion to the Controller of Insurance that separate figures about the business of companies registered under the Co-operative Societies' Act in any part of India should be given. It will thereby be easy to see the progress of the Co-operative Fire & General Insurance Societies in comparison with the progress of other companies.

The Code of Conduct for General Insurance business is another topic which is in the minds of the insurance people. This Code, even as finally settled upon, has come in for considerable criticism at the hands of people who count, I mean the Directors of General Insurance Companies. These gentlemen suggest that the effective administration of the Insurance Act could be done even without the provisions of the Code of Conduct as announced. They feel that if there is a sort of solvency test to be applied to all General Insurance Companies and which all companies should make an effort to reach, it would be quite satisfactory from the point of view of the policyholders and would keep the companies free from unwanted interference by subordinate officers appointed under the Code. So far as Co-operative Insurance Societies are concerned they are new comers in the field and they cannot be accused of any of the allegations made against several of the General Insurance Companies. I again bring to the notice of the authorities the fact that the co-operative societies should have a special representation on the committees which would frame and execute any scheme. I once more reiterate the request that was previously made by the co-operative societies that *they should have a special representative* in the Executive Committee of the General Insurance Council as well as the Life Insurance Council.

The General Insurance on co-operative lines has so far been confined to Fire and Motor Insurances only. As I have already mentioned in the past, our country, being primarily an agricultural country, should have facilities of Cattle and Crop Insurance. These facilities are not forthcoming because of the heavy risks involved by the very nature of the business. If the Government were to come to our assistance regarding extraordinary risks, our Society would make an effort to start at least the Cattle Insurance Scheme. For this a preliminary report has already been published a few years back by the Agricultural Department of the Union Govt. This has not been followed up so far. Now that there are several sound Co-operative General Insurance Societies in existence in the various parts of the country, it would be possible for the Government with their assistance to make a beginning in the direction of Cattle Insurance.

Book Reviews:

HINTS ON THE ASSESSMENT OF SUB-STANDARD RISKS IN LIFE ASSURANCE. (By B. B. Dotto, Medico-Insurance Publications, Calcutta, PRICED Rs. 2/-; copies available at the Office of THE INDIAN POLICYHOLDER)

Mr. B. B. Dotto has done well to publish this valuable book with all essential information that will be found quite useful to the medical examiners and Life offices in the proper assessment of Sub-standard risks for life insurance. The paucity of books on the subject, the imperfect knowledge of many in the profession in regard to assessing lives other than standard risks and the need to offer insurance protection in the country on the lives of those considered Sub-standard, point out the need for a publication of the kind under review. The author of the Book, Mr. B. B. Dotto, has taken a special interest in the subject for about 25 years and as Chief Medical Officer of a large departmental Life assurance society, has behind him valuable practical experience. He has collated and shifted out the vital points of value on the subject and has presented them in a manner so as to help the reader to acquire a working knowledge easily. We are sure that the book will find a ready sale among the large number of medical examiners and insurance offices more particularly who may make references to the book profitably.

LIFE ASSURANCE AS A CAREER (Published by the Vocational Guidance Bureau, Government of Bombay, PRICE AS. 3)

This pamphlet, issued by the Government of Bombay, the 9th publication of the Vocational Guidance Bureau has been prepared by the Indian Life Offices Association in conjunction with the Actuarial Society of India. Those already engaged in the profession of Life Insurance either in the office or in the field and others interested in entering the profession in any capacity will find the pamphlet quite helpful; the importance of insurance business in the national economy and the lucrative openings available in the business have been properly stressed and besides detailed information pertaining to an Actuary and the Actuarial examinations held by the Institute of Actuaries with a summary of Syllabus is also made available. The pamphlet is obtainable from the Government Book Depot, Institute of Science Building, Mayo Road, Fort, Bombay.

Reviews

United India Life Assurance Company, Ltd., Madras.

MR. M. Ct. M. Chidambaram Chettyar, the Chairman of the United India Life Assurance Co., Ltd., presiding over the 47th Ordinary Annual General Meeting held on the 29th July 1953, gave an illuminating account of the progress made by the Company during 1952. The new business at Rs. 382 lakhs was higher by 25 lakhs over the past year and the actual first year premium of Rs. 16·47 lakhs showed an increase of 1·15 lakhs. The total business in force advanced to Rs. 25 Crores, an increase of over one crore. The Life Assurance Fund mounted up to Rs. 685 lakhs showing an increase of 44 lakhs. The renewal premium income was Rs. 96·50 lakhs as against 92·16 lakhs in 1951 while the interest earned on the funds worked up to 3·25 % net. A total sum of Rs. 42·59 lakhs was paid by way of benefits to its policyholders out of which claims by maturity amounted to Rs. 24·67 lakhs.

1952 Valuation Results

Commenting on the highly satisfactory results of the valuation for the triennium ending 1952, Mr. Chettyar said: Our Valuation bases continue to maintain our conservative standards; O(25-35) ultimate Mortality, 2¾ % rate of interest and expense provision of approximately 16·02 % of future renewal premiums besides a further provision of 2/8/- per thousand sum assured per annum for future profits. Our mortality experience reflecting the qualities of selection of lives, during the triennium has improved by 15 % resulting in a profit of 16·3 lakhs; the interest yield on our Life Fund has also improved by nearly half per cent. (gross) and resulted into a profit of 9·2 lakhs; our expenses of management have also reduced during the triennium by over 1·5 % of the renewal premiums and contributed Rs. 5·3 lakhs to the surplus in the valuation. The provision for payment of future bonuses to policyholders has also been maintained for which a sum of nearly Rs. 54 lakhs has been provided in the Reserves by the Actuary. The Valuation has disclosed a surplus of Rs. 42,79,474 which has enabled a reversionary bonus of Rs. 12/- and Rs. 10/- on the participating Whole Life and Endowment Policies per thousand sum assured per annum. The bonuses to the participating policyholders are higher by Rs. 3/- per thousand per annum than that declared at the previous valuation. In respect of the policyholders of the "Allianz" a bonus of Rs. 5/- per thousand per annum has also been declared.

Reduction of Premium

Announcing a reduction in the rates of premium of the Company for certain ages at entry, Mr. Chettyar referred to the fact that the cost of life assurance benefits in India is very high and that it behoves all to work towards a reduction in the cost of life assurance. Such reduction could be achieved by economy in the costs of

procuring and serving the business, by an improvement in mortality and by working towards a better selection of lives for insurance. He hoped that this lead will be followed by other progressive minded insurers.

Expansion Overseas

The business of the Company outside the country particularly in Malaya and Ceylon is steadily improving and strenuous efforts are being made to extend its activities further; the proportion of overseas business in force to the total business of the company is about 11·5 %. With a view to set the organisation on a firm basis, the Directors have resolved to associate prominent businessmen in Malaya and Ceylon through local Advisory Boards. The present members on the local Board in Malaya and Ceylon are distinguished persons to whom the entire credit of the future success of the institution will be due. A large measure of decentralisation of authority and responsibilities have been effected and agency and supervisory organisations are modelled to suit the local requirements of services to policyholders. In the case of Ceylon, investment of Funds is being made entirely in the island itself.

Control over Life Insurance Business

Mr. Chettyar, reviewing the insurance problems in the country said ;

"In 1950 I confessed to a sense of disappointment that "our legislators have attempted to go too minutely into them (the details of insurance business) to succeed in their basic commendable objectives", and, "have failed to see the wood for the trees". The tendencies which I deprecated even then have now become pronounced through further non-statutory controls over the business in the form of the Code of Conduct. No organisation could work satisfactorily if it is put in a straight jacket. Life insurance organisation, in particular, needs a human and realistic approach to the human and realistic problems which it aspires to answer. Here is a business where policies have to be laid down and followed

Sri M. Ct. M. Chidambaram Chettyar
Chairman.

purposefully for the benefit of generations of policyholders and to suit their varying needs and condition: policies in regard to the creation and development of offices, investment of funds, consistency in the methods and bases of valuations and distribution of surplus, weighing present strains on resources against future benefits accruing therefrom and the recruitment, remuneration and training of personnel to shoulder responsibilities to future generations. To attempt to determine the detailed manner of implementing these policies is fraught with the danger that the underlying sound principles of the business are apt to be lost sight of and the letter of the law takes precedence over the spirit. The business has such wide ramifications the needs it serve so diverse in character, the presons employed are drawn from so many walks of life and the technical details so complicated that it is futile to attempt to set it to any pattern The attempts already made by law, if they have failed in their underlying objects, are due to an inadequate realisation of these characteristics of the business. The statutory, and the present non-statutory, controls can but be irksome to the insurers, and their organisations, who honestly and efficiently wish to discharge the sacred trust reposed in them by the thousands of policyholders insured with them; yet they are no safeguard against the undesirable trends which have, unfortunately, crept in. In saying this, I should not be understood to oppose any form of control. I am as deeply coscious as any of the basic need for regulating life insurance business in order to build up and foster sound traditions of underwriting, investments, and actuarial valutions and to ensure fair, prompt and efficient services to the policyholders through a well-trained organisation. Statutory control should be limited to broad outlines of policy in the above directions and I would once again plead with the authorities to avoid these restrictive provisions which have become so involved as to be unworkable and even unenforceable. I have no doubt but that the vast strides made by insurance business in the United Kingdom and the confidence enjoyed by those institutions at home and abroad is to a large measure due to the comparative freedom from such irksome regulations. Nowhere does the spirit of free enterprise, guided by honest and efficient men at the helm of affairs need greater opportunities for rendering its service to humanity than in life insurance.

Agents' Training:-"During the previous occasions when I had the privilege of addressing you, I have been emphasizing the great value we attach to the training of our agents and other field men in order to equip them for better rendering services to our policyholders, and, through satisfied policyholders, to extend our life insurance services to every section of the community. Many agents have developed into career men in life insurance and set about their work with the confidence born out of a conviction that life insurance salesmanship is a socially useful function and that they are well equipped with the knowledge necessary to perform that function efficiently. The pioneering efforts we have made in this direction has been widely appreciated in insurance circles and emulated by quite a few."

As the above details show, the Company has had another successful year during 1952. We have no doubt that the Company with the great popularity that it enjoys among the public and with the increased benefits offered to them, will forge ahead still more rapidly in the years to come. We wish the company all success.

Hindusthan Ideal Insurance Company, Ltd.

THE Directors' Report and the accounts of the Hindusthan Ideal Insurance Co, Ltd., for 1952 serve to give a good account of its steady progress from year to year. The fact that the Actuarial valuation for the four year period ending 1952 has resulted into a decent surplus enabling the management to declare Bonuses to the participating policyholders is ample proof that the Company is conducted on sound lines. Similarly, the business transaction in the General Department had been profitable.

New paid for business in the Life Department amounted to Rs. 49,16,750 under 2,187 policies and the premium income increased to Rs. 7,97,830 as against Rs. 7,53,770 in the previous year. The renewal expense ratio came down to 16.62 % recording a drop of 1.48 % over that of last year. Claims by death and maturity amounted to Rs. 84,006 for the year and the total claims settled during the year, including outstandings at the beginning of the year, amounted to Rs. 92,989. At the end of the year, the Life Assurance Fund stood at Rs. 27 lakhs, showing an increase of Rs. 4,88,314.

In the General Department, there had been an all round progress. The net premium in the Fire Department was Rs. 1,80,932 and, there was a profit of Rs. 28,743. The Miscellaneous Department accounted for a net premium income of Rs. 78,465 showing a profit of Rs 7,602. Thus, the General Department has been worked up profitably and the funds in the department have been increased by Rs. 34,534. The statutory reserve in respect of Fire and Miscellaneous Departments amounted to Rs. 72,372 and Rs. 31,386 respectively. It is satisfactory to note that the overall expenses of the General Department had been well within the provisions of the Insurance Act. The profit and Loss account, after all adjustments, shows a balance of Rs. 38,112 with which the losses of Rs. 34,584, outstanding at the beginning of the year, have been written off. The balance of Rs. 3,528 has been carried forward to next year's account.

The Actuarial Valuation of the Life Insurance business for the four year period ending 1952 has disclosed a surplus of Rs. 1,56,117 out of which a reversionary bonus of Rs. 8/- under Whole Life and Rs. 6/ under Endowment Polícies has been declared. The valuing Actuary, Prof. K. B. Madhava, M.A., F.N.I., A.I.A., rightly compliments the management who, by their devotion to the cause of the company and to the high ideals on which the business is based, have made such favourable results possible. The Valuation points out beyond doubt that the management had been vigilant in regard to expenses, and selection of lives. Fairly stringent basis has been adopted for pursoses of the valuation; the valuation was made at 3 % interest, providing 19.99 % and 23.36 % under without Profit and with profit Assurances for expenses and profits. The Oriental (1925-35) Table of mortality was used. The experience of the Company had been quite favourable in regard to all the items that contributed to the surplus in the valuation. The rate of interest earned on the company's funds was 3.6 %, well above the rate of 3% assumed in the valuation.

We have every hope that the Company, with its sound financial position as disclosed at the valuation will be able to expand its activities widely. We wish the Company all success.

News

Indian Insurance Institute

The Council of the Indian Insurance Institute, Calcutta have passed the following Resolution condoling the death of Dr. Shyama Prasad Mookerjee.

The Council of the Indian Insurance Institute place on record their sense of profound sorrow and grief at the sudden and untimely demise of Dr. Shyama Prasad Mookerjee while under detention. As a great educationist of the time Dr. Shyama Prasad had not only enriched the Calcutta University by his manifold activities and made the same the greatest centre of advanced teaching and research in India through its post graduate departments in Arts and Science but also devoted himself in educating the people by providing an object lesson in clear and independent thinking. He was one of the ablest parliamentarians in India. His personality and broad human sympathies endeared him to all sections of the people. The Insurance men of the country found in him a man who regarded Insurance as a department of nation-building activity. The Council regard his passing away at a comparatively young age as a great national loss.

The Council convey their sincerest condolence to the members of the bereaved family.

The members of the Council of the Indian Insurance Institute, Calcutta met Mr. M. C. Shah, Deputy Finance Minister, Government of India (in-Charge of Insurance) on Saturday, the 11th July 1953 at the Committee Room of the Bengal National Chamber of Commerce. Sri H. K. Sen, F.F.A., President of the Institute was in the Chair.

In initiating the discussion, Sri S. C. Roy, M.A., B.L., raised several important points regarding

Estate Duty Bill,

Income-tax,

Falling rate of interest and arrangement for Custody of Securities with Reserve Bank of India.

Mr. Shah in his reply, assured the Institute that the points raised by Sri S. C. Roy would receive sympathetic consideration in the hands of the Government. He, in this connection, suggested that to obtain better results a Conference of Insurance Interests together with Government officials concerned should be arranged at New Delhi for the purpose of discussing fuller details of the points.

In conclusion Mr. Shah most emphatically said that to safeguard the interests of the policyholders smaller Insurance Companies whose funds were not sufficient to keep pace with the demands of the Law, should merge together to form bigger unit.

"Any amendment to Insurance Law was not likely at present" Mr. Shah said "but if at all any amendment was made, it should be more strictor so far the

interests of policy holders were concerned."

Mr. Shah and the guests were entertained with Tea and light refreshments.

Prominent among those present were Sri S. D. Srinivasan (National Insce.), Sri B. C. Ghose, M.P., Sri S. N. Roy Choudhury (Bombay Mutual), Sri U. C. Barua (Lakshmi), Sri H. C. Naug (Palladium), Sri P. K. Sen (Calcatta Ins.), Sri S. K. Majumdar (Fire & General), Sri G. C. Pal (Aryya Insce.), Sri U. N. Pal (Indian Economic), Sri P Chakraborty (Insce. of India), Sri B. E. N. Bose (Bengal Ins. & Real Property), Sri B. N. Chowdhury (H. C. I. S.), Sri A. C. Neogi (East India), Sri B. B. Mukherjee (Oriental) etc.

Sterling General Insurance Co., Ltd.

Sri K. Kasinadham, Municipal Councillor, Warangal, who was previously connected with the "New India" has joined Sterling General Insurance Co., Ltd., as Organising Secretary for the Districts of Warangal, Karimnagar, Adilabad and Nalgonda, with effect from 1-6-1953.

Mr. P. V. S. Raja Iyengar

Sri P. V. S. Raja Iyengar, Kolar (Mysore State) formerly Chief Inspector of Agencies of "New India" has joined the Indian Mercantile Insurance Co., Ltd., of Bombay as Superintendent of Agencies for Kolar and Bangalore Districts with his Head quarters at Kolar (Mysore State.

Indian Life Assurance Offices Association.

Life Assurance Examinations.

The Life Assurance Examinations in Parts I, II & III conducted by the Board of Education of the Indian Life Assurance Offices Association, Bombay, will commence from Monday the 22nd February 1954. The last date for receiving applications is *31st December 1953*. The permanent centres for the Examinations will be Bombay, Madras, Calcutta and Delhi. Centres at other places will be opened if deemed necessary.

Correspondence Courses.

The Board of Education of the Association provides Correspondence Courses for Papers I & II of Part I, Papers III, IV, V & VI of Part II and Paper VII of Part III of the Examinations, the revised fees being Rs. 30/-, Rs. 50/- and Rs. 10/- respectively. Candidates desiring to join the same are requested to write for details to the "Hon. Secretary, Board of Education, Indian Life Assurance Offices Association, Industrial Assurance Building, Churchgate, Bombay."

The Hindu Religious School, Walajabad.

Unveiling of the Portrait of Sri L. S. Vaidyanathan, M.A., F.I.A., F.S.S., J.P., *Manager, Oriental Life Office, Bombay.*

Dr. B. V. Narayanaswamy Naidu, M.A., Ph.D., Bar-at-law, Member, Tariff Commission, was on a short visit to Madras and his presence was availed of to open the Portrait of Sri L. S. Vaidyanathan, M.A., F.I.A., F.S.S., J.P., Manager, Oriental Life Office, Bombay, at the School premises on 22-7-1953.

On arrival, Dr. Naidu was taken round the School by Mr. W. T. Masilamani Mudaliar, Founder-Manager, of the Institution. The Branch Secretary of the Oriental Life Office, Madras, Mr N. Swaminathan, B.A., J.P., was also present among the other elite of the City.

Dr. Naidu appreciated greatly the exceedingly good work that was being done by the shool which, he said, was a unique Institution of its kind doing philanthropic work. There were about 820 boys in the School of whom about 650 boys have free lodging and boarding in the Hostel attached thereto and Dr. Naidu said that the Institution which was founded in 1916 in a modest way owed its flourishing growth to the untiring zeal and selfless work of Mr Masilamani Mudaliar and if only there were more people of his type, India could boast of a number of such Institutions all over the Country. It was noteworthy that the education is not confined to the mere 3 R's but the students are taught manual training in various handicrafts which would equip them for later life.

At the request of the authorities, Dr. Naidu then proceeded to unveil the portrait of Mr. Vaidyanathan. Mr. Masilamani Mudaliar, Dr. Naidu said, was one of the big business producers of the Oriental Life Assurance Company, devoting all his commission earnings to the Institution, and what is more, he is carrying on his life a large insurance, which the Institution was to inherit after him. So, it was only fitting that the portrait of the Manager of the Company should find a place in the institution and he was happy that he had been called to perform the unveiling ceremony as he had the pleasure of claiming Mr. Vaidyanathan as one of his close personal friends.

Dr. Naidu spoke about the great qualities of Mr. Vaidyanathan who, he said, was one of the foremost authorities in the Country in matters INSURANCE, there being few who had achieved such great distinction as Mr. Vaidyanathan in that field. Mr. Vaidyanathan had the proud privilege of being the first Indian Actuary and it it was given to him to be the first Indian Manager of the foremost Life Assurance Company in the East, it was by dint of his ability and sheer force of character that he roso to that exalted position. Dr. Naidu continuing said that Mr. Vaidyanathan's contribution to the Insurance world was so well known that he need not recapitulate the details of his achievements. Mr. Vaidyanathan's penetrating intellect and lovable disposition had made him one of the most popular figures amongst the South Indian community in Bombay in particular and others in general. While devoting all his time to Insurance, Mr. Vaidyanathan had taken a keen interest in the cultural devolopment of the Country. The authorities of the Company had rightly recognised his abilities and the supreme need to have such men of his eminence at the helm of affairs and Dr. Naidu had no doubt that he would continue to guide the destinies of the Company for many more years to come, especially during the present vital period in the economic development of the Country. Dr. Naidu concluded saying that in wishing Mr. Vaidyanathan long life and health, he would only be echoing the sentiments of all those present there, as every one would certainly pray that he might be spared for yet many more years so that he could serve not only the Insurance World but also our dear Motherland.

National Mercantile

National Mercantile Insurance Co. Ltd., of Calcutta which was under an Administrator has now been amalgamated with the National Insurance Co. Ltd., Calcutta. According to the order dated 9th June 1953, the assets and liabilities of the National Mercantile have been transferred to the National, the business transferred being as at 30th June, 1952, according to the scheme prepared by Mr. P. K Ghose, the Administrator. There is a reduction of 25% in all policy contracts and future premiums payable. The holders of "With Profit" policies will in future get the same bonuses as are given to the 'National' policyholders.

Registrations Cancelled

The Controller of Insurance has concelled registration granted to the National City Insurance Ltd., Calcutta, with effect from 28-2-53 and that granted to Ajai Mutual Bima Corporation Ltd., Agra with effect from the Ist April 1953.

Late Mr. K. S. R. Iyer

Tributes to the services rendered by the late Mr. K. S. R. Iyer, Manager of the Jupiter General Insurance Co. Ltd. to the cause of insurance were paid at a joint condolence meeting held in Bombay on 10th July by members of the Indian Insurance Co.'s Association, Bombay Regional Council of the Insurance Association of India, Bombay General Insurance Association and the Indian Life Assurance Offices' Association.

Free India General Insurance Co. Ltd.,

We understand the Directors of the "Free India" have closed down general Insurance business of the Company with effect form 1st July 1953. The Company, however, will continue to function as a purely Life Insurer.

Indian Life Assurance Co. Ltd.,

New Appointments.

Mr. S. N. Rajah, M.A, has joined the "Indian Life" Madras Branch as Organising Secretary. Mr. Rajah, coming as he does from a respectable family, is quite influential and it is hoped he will complete a good volume of new business. Formerly he was attached to the "Empire of India"

We are also pleased to note that Mr. Amir Ali, Inspector, "Indian Life" has done well, having secured decent business in the past few months. An active and enthusiastic young man, Mr. Ali promises to become a career insurance man.

Sentinel Assurance Co, Ltd.,

Mr. T Bagchi, General Manager having resigned, the Directors have appointed Mr. Devidas Jethabhai of the "New Great" as General Manager.

Registered No. M. 3297.

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MADRAS

AUGUST 1953

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THE INDIAN POLICY-HOLDER

VOL XIX AUGUST 1953 NO. 4

Service to Independent India through Life Assurance

THE month of August will be ever remembered by our Countrymen and the humanity at large, for it is during this month six years ago that India, Burma and Ceylon, holding a sizable portion of the world's population, attained their independence. Though India rejoiced beyond measure over her victory in the long freedom struggle, she had to undergo a lot of trials and tribulations in the post-war period that much headway could not be made either in the social or economic sphere. But yet, what has been achieved by her so far has infused confidence and evoked admiration all over the world. Our Country has determined to go ahead despite any amount of hardships and our leaders have once again pledged themselves to serve truthfully and whole-heartedly the cause of our motherland It is now the turn of the general public to extend their unstinted co-operation for the fulfilment of their aspirations and make the task of our leaders easy. In this context the President of the Indian Union, Dr. Rajendra Prasad's Independence Day Message to the people of our Country is well-worth remembering. His appeal to everyone in the Country must echo in the hearts of one and all and goad them to activity. He observed in the course of his message "Our Constitution commits us to the creation of a Welfare State of India. We are determined to spare no pains in bringing about the desired consummation as early as possible. ... .We have to reckon that we have still a great leeway to make to banish poverty, hunger, and illiteracy from India. To the achievement of that goal must bend the energies of our Government and every citizen of the soil. The Five Year Plan and the Community Project Scheme, which are being implemented and have made good progress, are at the moment the centre of the nation's hopes. Let it not, however, be forgotten that in the materialisation of these plans, people's co-operation is a vital factor." Life Insurance Business, it may be remembered, extends this much needed co-operation to a considerable extent. It is a great co-operative movement by itself. Our countrymen must properly understand the service capacity of Life Assurance. By insuring, one not only capitalises his potential earning power, but joins that big group of policyholders, whose small contributions are pooled by the insurers and invested in Government Securities. Thus, Life Insurance not only cultivates in the minds of our countrymen the good and desirable habit of systematically saving but also enables to extend substantial financial help to the Government who are also in bad need of it to implement their 5 year plan. Life Assurance therefore can do a great service in building up a New India and its role will be effective only if both the Government and the public place full confidence in the managements of the Institutions that conduct the business. In turn the managements of the Life Insurance Companies also should realise their great responsibility to the policyholders and conduct themselves in such an exemplary manner that they deserve the confidence reposed in them. Unless the Insurers, the policyholders and the Government enjoy mutual confidence it will be futile to expect any great service of national importance from the institution of Life Assurance. Compared with any other progressive country in the World, India lags far behind in per capita Insurance. Especially now when the labour classes are getting increased remuneration all over the Country, the number of potential buyer of Life Assurance has vastly increased and it would be in the interest of both, the individual as well as the nation to foster the growth of Life Assurance habit in the country by all means.

Association of Mutual Life Offices in India

Extracts from the Presidential address of SRI T. R. A. PAI,

Delivered at the 4th Annual General Meeting held at Bombay on 25th June, 53.

DURING the preceding period, we had an opportunity to represent the case of Mutual Insurance Companies to the Government for exempting them from Income-tax on the same basis as the Co-operative Insurance Societies. Though our efforts were considerable, the result was disappointing for we did not succeed in attaining our object. We were finally told by the Deputy Secretary to the Government of India, Ministry of Finance, that our business is in no way different in nature from that carried on by Proprietory Companies. In the said communication of the Deputy Secretary there was also a direction that we could, if we so desire, place our views before the Taxation Enquiry Commission and we have already done so in the shape of a Memorandum to the Chairman, Taxation Enquiry Commission, Bombay. The results are awaited.

Now, one word about the point of view mentioned in the letter of the Deputy Secretary to the Government of India referred to already. His view, in brief, is that the nature of business carried on by Mutual Companies is in no way different from that of the Proprietory Companies. If it is a question of the nature of business, it is quite patent that it is all one and the same whether it be Proprietory Insurers, Mutual Insurers or Co-operative Insurers and I am sure there are no two opinions on this point in so far as all the three categories of Insurers carry on Life Insurance business. But what we have been trying to impress on the Government and the concerned people is that the structure of the Proprietory Insurers is different from that of Mutual Insurers and that the structure of Mutual Insurers and Co-operative Insurers is in essence and principle almost the same and therefore Mutual Insurers should be given the same exemption as the Co-operative Insurers with regard to Income-tax. The question of profit arises only when people belonging to one group do business with others with an intention to derive some profit for themselves and not when the people of a certain group do business among themselves and with nobody else. The second type are having no room whatsoever for making any profit under the circumstances. The Co-operative Insurers are exempted from Income-tax because they do business among their own members and nobody else. The Mutual Insurers also do business on a similar principle. In a Mutual Insurance Company everything is in the hands of the Policyholders and there are no share-holders or others handling the business of the Company with any motive of making a profit out of it. Therefore, we firmly affirm that Mutual Insurers have no profit motive and cannot be subjected to Income-tax and they have to be exempted from this Tax on the same basis as Co-operative Insurance Societies.

Gentlemen, you already know and I am happy to refer on this occasion to the trend towards mutualisation prevailing among certain Proprietory Companies. This is as it should be and let us hope and pray that the ranks of Mutual Insurers will be reinforced by new entrants from the ranks of Proprietory Insurers at no short a distance of time. All over the world more and more right thinking people are turning to democracy as the most acceptable way of public life. Well, mutualisation is in insurance what democracy is in public life and it is but natural that in the world of insurance the pendulum should swing towards mutualisation. Mutualisation will on the one hand do away with many of the existing defects and abuses in insurance management and on the other it has all the advantages of nationalisation without its defects.

In the present context, I cannot but make a reference to the Death Duties Bill which is on the anvil of the Central Legislature. In regard to this I do not wish to dilate at length because you are all familiar with its provisions; but I have to point out a few things which are quite important:—(1) Any law that comes in the way of raising the average insurance per head in India, which is at present as low as Rs. 20/-, is really not a healthy legislation for the time being: (2) Any legislation that discourages insurance among the rich or the poor will adversely affect the growth of the nation itself; (3) Certain sections of the Estate Duty Bill will in effect neutralise some of the provisions of the Insurance Act like those on assignments and nominations and this is not at all desirable; (4) Besides this, I have to suggest that the limit of exemption to Life Insurance should be raised to Rs. 25,000/- from the present minimum of Rs. 5,000/- in the Estate Duty Bill. That is to say, irrespective of the status of the deceased person, however high or low it may be, an insurance of Rs. 25,000/- should be exempted from the levy of Estate Duty.

One more thing that I have to say on this occasion is the recruiting of proper personnel for insurance field work. In this connection I wish to appeal to the educated young men of our country to adopt Life Insurance selling as their career because it is one of the noblest services that one can go in for. In my opinion, Life Insurance is a multi-sided blessing and its propagation will benefit one and all. Apart from the personal and direct benefits that accrue to so many individuals on account of Life Insurance, one has to take into account the benefits that are derived from Life Insurance by the country at large. In brief, Life Insurance is a bulwark not only for an individual, his family and the society but also for the nation because through Life Insurance vast funds are made available to the Government for its nation building projects like the five-year plan etc. Apart from this, insurance salesmanship is a highly interesting art which can be acquired with ease by an educated youth because it does not require a large initial capital investment and hard and prolonged preparation. One's human resources, social status, wholehearted earnest effort, sincere desire to serve others through life insurance and a very small initial capital are the few things required for commencing this business at the initial stage. The speciality of this line is that one earns as one learns. Besides, the Insurance Act has assured Insurance Agents

hereditary commission etc. under certain conditions. I feel that on the one hand the Insurers must make an effort to recruit the best personnel for field work and on the other hand educated young men must take to this profession in larger and larger numbers. As far as possible, the Insurers should also give some instruction and training to the intending candidates. Then there is no reason way the standard of the Indian Insurance Agent should not be high and the total production of new business of Indian Insurers should not go up. It might be noted that the total new business production of Non-Indian Insurance Companies in India has been on the upward trend in recent years, whereas that of Indian Insurers has been on the downward. The reasons for the increase in business of the Non-Indian Insurance Companies in India may be varied and in the absence of a thorough analysis of the causes, we cannot give any particular reason for this increase. But still, this much can be said without fear of contradiction with regard to the causes which have contributed to the rise in their business and it is that the Non-Indian Insurers have been continuously recruiting a better type of Agents than Indian Insurers for their field force and this one factor has resulted in a substantial increase in their business in recent years. Therefore, I request our Indian Insurers, especially Mutual Insurers, to take a lead from the Non Indian Insurers in this regard without any hesitation.

Some of our members are doing small business: some are still struggling to stabilise their position. They have multifarious difficulties. Under the circumstances, it should be the duty of this Association to render all possible assistance to them and help them solve their problems and come out of the difficulties which they may be experiencing. I assure the members of the Association and also those Mutual Companies who have so far not become its members that for whatever service it is possible to render them, the Association will be at their disposal. They can approach the Association will be at their disposal. They can approach the Association whenever necessity arises to seek its services with confidence and courage. There are several problems common to the working of Mutual Life Offices and if this Association has on its register all the Mutual Life Offices as Members, our strength will go up and we can represent our difficulties to the Government more successfully. Therefore, I appeal to those Mutual Companies who are still not members to consider the desirability of becoming Members both for their own sake and for the sake of the Association.

General Insurance Business in India

BY T. K. DESAI,

(Speech delivered at the 25th Annual General Meeting of the Indian Insurance Companies' Association held on the 14th July 1953)

MR. Desai reviewed the general economic condition of the country and the five year plan and referring to the many-sided problems of the general Insurance Business, said:—

It is against this difficult economic background that one has to review the working of Indian general insurance in 1952. The year represents the first post-war year of depression. Normally depression hits insurance much harder than other trades and whilst it is inevitable that the results must reflect a downward trend, the Indian companies have successfully withstood the difficulties of the year caused by falling premiums, heavier claims-experience and rising managements costs.

There has been an all-round fall in the premium income in all the departments. The reduction in premium would have been much larger but for the development of new lines of business which also was not without its own problems. For instance, the handling of the insurances of imports of American cotton by the Indian market brought in its wake the claims for country-damage caused through unusual rains and lack of storage facilities in the cotton-growing districts of California. These were claims which should really belong to the policies taken out by the American exporters. The market had to meet the claims from their Indian insured and the question of recovering these losses from those on whom they must necessarily fall is under discussion. This is a matter which the American Underwriters will approach from the long-term viewpoint of market to market co-operation. In any case, the Indian market met its essential moral obligations to the Indian cotton trade.

Last year for the first time in its history the Indian insurance market began to handle hull business in an organised way. India has a vast coast-line and her shipping industry receives the whole-hearted support of our Government, resulting in a reservation of the coastal trade for Indian shipping. In the interests of national prestige and self-sufficiency, Indian Insurance must provide a full-fledged hull insurance service. An excellent example has been set by the "Scindias" by placing their entire hull insurance in the Indian market and I hope that the lead given by the premier shipping unit in the country would be followed by the other shipping units with the same enthusiastic approach with a view to assist the building up of an indigenous hull insurance market which should be a normal feature of the insurance services provided in any well-developed insurance market.

The rates for motor insurances had to be revised at the end of 1952 as a result of continuous adverse claims-experience.

In this sphere, the tariff insurers have repeatedly drawn the attention of the authorities to the exemption granted to certain insurers from the requirements as to tariff-rating, transgressing the assurances given by the then Hon'ble Commerce Minister on the floor of the house when the Insurance Amendment Bill was on the legislative anvil.

The tariff-basis of working with all its regimentation has proved most suitable for our country. In fact, the effects of the trade depression have not been too severe because of the soundness of the rating system which has not been disturbed though trade associations naturally pressed for reduction in rates without a full realisation of the insurers' standpoint. Over a long period the general insurance rates have been substantially reduced. For instance, the rates for insurance of cotton mills today stand at one-third of their 1914 level. Indian insurance has always been anxious to offer its service at the most economical terms. It is however to be emphasized that insurance trade goes in cycles; there are good years as well as bad years. No drastic variation in the rating structure would be justified merely on the strength of favourable experience in a period of trade buoyancy. Insurers are not in a position to increase their rates during a trade depression.

Whilst 1952 has provided an unpleasant picture, there are already signs of a turn for the better in the first few months of 1953. I am not at all pessimistic about the future of our trade. With a population of about 360 millions the total gross premium of the country is only Rs. 20·5 crores. This is too poor a figure when compared to some of the western countries where the per capita insurance is over fifty times that of India. Firstly, there is a vast existing field which still remains unexplored by insurers. We have to encourage the insurance mindedness in the people. Secondly, there will be substantial additions to the available business through the various plans of reconstruction both in our agriculture and industry in the planned economy of the future. What I desire to emphasize is that at present we touch only the fringe of the potential business available in the country. We have been working in a narrow groove which gives the erroneous impression that there are too many companies catering for a limited business. Our young general insurance trade is capable of great development in various directions. For instance, there are so many recognised lines of insurance business which have become popular in western countries which Indian insurers could usefully offer to the insuring public. I have a two-fold object in referring to these possibilities. Firstly, to increase the size and spread of the portfolio of Indian companies over numerous classes os business and secondly, to make the service of Indian Insurance quite comprehensive so that insurance becomes a true handmaid of trade and industry.

Insurance is highly technical and some of the lines to which I allude require extensive technical knowledge and here one encounters the difficult problem of personnel training. This is a problem which should engage far greater attention of insurance managements than it has done so far. I need hardly emphasize that insurance undertakings depend so largely upon their personnel for their success that the problem of trained man-power, both in the office and in the field, should receive immediate attention of the managements.

We will all have to spare some time to see that an Insurance Institute is established, offering adequate facilities for insurance education to the young men in our business.

This is the Twenty-fifth year of the Association. It is intended to celebrate our Silver Jubilee in the course of the year. The plans for these Celebrations may well include efforts in this direction and we could couple the name of the late Mr. J C. Setalvad with this Insurance Institute.

I do not propose to deal at length with the progress that has been made and the problems that we have faced during the last twenty-five years. All I wish to say is that our Association began with seven members with head offices located in Bombay, catering mainly for local business. Today our membership consists of 59 offices, some of whom have world-wide ramifications, transacting in 1951 a total net premium of over Rs. 13·1 crores of which over Rs. 6·3 crores are derived from outside India.

I cannot however refer to this progress in the premium income without some feeling of disappointment because in spite of quite low claims-experience and other favourable circumstances the companies have not succeeded in building up a strong reserve position for themselves. The major weakness of the working of the insurance market in India has persistently been rebating and illicit commissions resulting in a high acquisition cost of business. We had sought the aid of legislation to overcome this unhealthy feature. The Insurance Amendment Act of 1950 has provided us with a definite and detailed pattern for the regulation of our business. The Act itself is the result of prolonged agitation on the part of our Association to establish an effective control of the trade to ensure the growth of sound insurance in India on healthy lines. The Act is a beneficient measure, the advantages of which are obvious from a comparison of the published working results of 1951 with the preceding years in spite firstly of the year's account carrying adjustments of outstanding commitments of preceding years and secondly of the tendency that has prevailed to circumvent the provisions of the Act. A Code of Conduct has therefore been evolved to enforce the Act in its spirit and to stamp out deep-rooted evils that have for years menaced the growth of sound practices in our country.

You are all aware of the controversy that has raged for the last few months over this issue and I do not propose to restart it now that the Code is an established fact. I can only appeal to my colleagues in the trade to set their house in order before they are called upon to face the rigours of disciplinary action.

A suggestion has been mooted to constitute a pool of business to compensate companies who lose business through adherence to the Act and the Code, and particularly to assist the smaller companies to acquire a good stature. The idea is a good one though the scheme as put forward went far beyond its laudable object. I hope that the Association pursues the scheme taking into account the modifications that were suggested in the discussions.

Gentlemen, I must revert to the problem of building up reserves. I cannot over-emphasize the importance of achieving a strong reserve position for general insurance companies in India. Reserve strength is most vital to insurers both in the risk-bearing capacity it creates, and the interest revenue it brings. The earnings of general insurance business cannot be properly evaluated in terms of annual profits. A definite portion of our premium revenue is to be set aside annually to provide for funds to meet abnormal losses which occur at long intervals but which can sap the vitality of the market. Adequate facilities should therefore be afforded to companies to build up reserves. I hope and trust that the Taxation Enquiry Commission will examine the just claims of Indian insurers in this behalf.

Gentlemen, as you are all aware, speaking at the Annual General Meeting of the Associated Chambers of Commerce, Calcutta, Mr. T. T. Krishnamachari, Minister for Commerce and Industry, Government of India, appealed to the non-Indian business houses and said:

"I would be failing in my duty if I do not point out to you on this occasion that the granting rights by Government to non-nationals also imposes obligations on the recipients of those rights. Non-Indian concerns in this country which receive national treatment must inevitably accept national obligations. I, therefore, hope and expect that non-Indian firms will go ahead with the Indianisation of their superior staff both in the technical and administrative sections. I also expect them to encourage Indian firms engaged in insurance, shipping and in the manufacture of ancillary products which can be used by the industries they control. I do not mean to say that their portfolios which in many cases are vertically arranged should be radically rearranged. It is only fair to suggest that every big non-Indian concern in this country should strive to see that at least 50 per cent. of their insurance business and a large percentage of their shipping business go to Indian concerns. You would be strengthening non-national interest in this country by such acts far more than any number of assurances that might be given by Government to you in the matter of fair and impartial treatment."

On behalf of Indian Insurance fraternity, I take this opportunity of congratulating the Hon'ble Minister on the spontaneous suggestion which shows the great interest he has in the working and development of our business. I do hope and trust that the European business houses will adopt his suggestion in the spirit in which it has been made.

Gentlemen, we have reached our present position of development in our trade without any discriminatory legislation against non-Indian insurers. It should not be necessary for us now to bring in politics or racial issues in our business. We have worked hand in hand with non-Indian insurers for over 30 years, and I am sure my non-Indian friends would not misunderstand me when I say that as most Indian insurance companies have to depend on the Indian market for their business, the suggestion made by the Hon'ble Commerce and Industry Minister that at least 50 per cent. of the business should be placed with Indian companies by European business houses is a fair and reasonable one. It should not cause any hardship or heartburning. Whilst on one hand we find our Hon'ble Commerce Minister pleading the cause of Indian Insurance, it is disconcerting to find some Indian business houses still placing the whole or bulk of their insurance business with non-Indian concerns. The primary object with which our Association was started way back in 1927 was to propagate the cause of Indian Insurance in India. In the year of grace 1953, it should hardly be necessary for us to restart a campaign to patronise indigenous insurance. All I need add is that Indian Insurance has come to stay and it offers as efficient and as economic a cover as is obtainable from non-Indian insurers either in this country or elsewhere.

In an article in the "Hindu", the Union Minister for Commerce and Industry, expressing his personal views, drew the attention of the trade to the problem of reinsurance. Some years ago, our Association had examined the problem of establishment of a reinsurance corporation to handle the reinsurance excesses of the Indian market. They had come to the conclusion that such a step was not in the best interests of Indian Insurers. The question continues to be revived not only in public but also in certain insurance circles. The question has been repeatedly examined by successive Committees of our Association from a national standpoint. They have come to the conclusion that for our young and developing market, the building up of reciprocal reinsurance relationships is a matter of time. Substantial progress has been made in recent years in obtaining reciprocity for Indian business and the trade is quite conscious of the need for eliminating any unnecessary drain of foreign exchange in the form of reinsurance profit-balances.

There is also considerable loose talk of nationalisation of insurance. I do hope that it does not become a live issue. General insurance is a product of private enterprise and should continue to remain in the hands of private enterprise. One of the trump-cards of insurance has been its adaptability to adjust itself to the growing and varying needs of the mercantile community. It is inconceivable under any governmental scheme of insurance business, where machine-like routine work by a small army of State-employees will overwhelm the picture.

Prestige Building and Selective Prospecting

BY DANIEL H. COAKLEY, JR.
New York Life Insurance Company, Boston, Mass.

BY "Prestige Building" generally I mean a number of things. For example, doing work for prospects even where there is no immediate sale; showing an interest in my prospects' or clients' business and personal life at times other than when I am trying to sell life insurance, by sending them clippings from various trade periodicals pertaining to their business, their families or friends; attendance at certain social events where I meet prospects or present clients; luncheon club meetings where we discuss, whether we decide anything or not, economics and world affairs. These, and many others, are the factors which I believe build prestige for the life underwriter and eventually put him in a position where he is not selling life insurance, but people are buying it from him. By that I don't mean that you sit in your office and all your sales are made by people calling you on the phone, but I do mean that when you approach somebody they want to do business with you automatically, rather than your having to persuade them to do business with you.

To exemplify how important prestige is, I would like to tell you of some actual cases of mine. In my first case I would like to tell you where I was lacking in prestige and what it meant to me.

Lack of Prestige

I had been calling on a prospect for about a year and a half, off and on. He had shown, at various times, interest and then the "too busy" attitude. But finally one day he sent me to his banker (with his accountant) where I was very quickly told by the banker that my prospect was going to buy some insurance but I was not going to sell it—and he was right—he (the banker) had more prestige than I did. A year later my prospect called me on the telephone and wanted me to come out and see him, and I told him I had had enough, that I could not afford to waste any more time, and I suggested that he let me out. He promised he would make it worth my while if I would sit down and chat with him, and so I let myself in again. This time, however, I was able to accomplish something for him by getting standard insurance, which up to this time he had not been able to procure. Since that date he has purchased $200,000 of life insurance from me, and a month after I made my first sale to him a business acquaintance of his was in his office, and told my client that he was thinking of buying some life insurance. Right then and there my client picked up the telephone and told me about the situation and introduced me, over the telephone, to his friend. Within two days this man had purchased $50,000 from me. My friend sold that—not me. Prestige paid off.

Value of Prestige

I was told by a young man I approached in May, 1946, that he was not inte-

rested in life insurance for himself, but that he might like to buy some insurance on his children in the fall. I went to see him in October of 1946, and again began to talk to him about insurance on his life. I found out that he had no will and owned a number of corporations and sole proprietorships. His estate would certainly have been in a turmoil if he had suddenly died. He was definitely unaware of the jeopardy in which he had placed his family, and as a result of this approach, he purchased $50,000 of life insurance, and in December, 1947 purchased another $100,000. I might say that in September of 1947, two months before he purchased the additional $100,000 of life insurance, he had a problem with reference to collecting proceeds on a policy which he owned on anothers man's life. I handled that entire matter and expedited it much to his satisfaction. I have no doubt that this service brought some prestige to me that, in a way made the sale in December a much easier one.

Uninsurable Client

Before I had been in the business two years, I called on an acquaintance of mine in an attempt to interest him to review his personal affairs and life insurance program. I knew he was uninsurable as he had had a coronary attack, but I also knew he had a boy 16 years of age who, in the years to come, might turn out to be a prospect of mine. I was able to persuade the man to see a lawyer about planning his affairs. I spent considerable time re-arranging his life insurance and attending two or three interviews at the lawyer's office. I remember I was quite embarrassed when the lawyer said to me, "This is a wonderful job you're doing for this gentleman Coakely, but how are you going to get paid?" I answered, "I am not worried about being paid now, but when the young man grows up and is able to buy life insurance, I hope to be the fellow to sell it to him."

Two years later the father bought $35,000 on his boy. I also interested the father in insuring his key man so that if anything happened to the father, the key-man policy would tie him to the concern and permit the young boy to finish school. This past January the father died; the key man is carrying on the business for the family until the son gets through school. The company is paying the premiums on this policy and the key man owns it and is very happy about his situation.

Just before my client's death he was at a club meeting and the subject of insurance came up with one of his friends. His friend pulled out of his pocket one of my tax letters and asked my client if he had ever seen this particular letter. My client went into some detail about the job I had done for him. I had called on the friend (and his partner) to whom he was speaking and had not been able to make too much progress with them. He had told me originally he was uninsurable. My client told me of his conversation with them and suggested I go back to see them. The first of this year I sold these two men under a purchase and sale agreement, $75,000 each. I can't emphasize too much how effective I feel the work I did for my client, before I ever made any sale, had on the eventual sale to these two partners.

Selective Prospecting

By selective prospecting I mean keeping my ear close to the ground in order to find out who are the people I have the best chance of selling; who are the people who are in the best position to buy; and who are the people who need my services most. Next to prestige building selective prospecting has been the most important factor in what I have accomplished. When I began I had a pretty good idea of the prospects who would keep me busy for a couple of years. In the past few years, however, I have weeded out many of these and have substituted new-found people who were not even in my mind at the time I formulated my original prospect list. It is not enough for me to be given the name of a propect. I want to qualify that prospect before I waste any time chasing him. I want to find out as much as possible about every person whose name is given me or that I acquire either by listening to conversations or by reading about a prospect in a financial page, before I call on him. For example, recently I read of a man who had a merchandising job with one of the biggest outfits in Boston, and he was reputed to be quite a guy. I procured a Dun and Bradstreet report on him and found out he was very successful, but that he was a bachelor. I don't say I won't attempt to sell him, but in my mind (and of course I could be wrong) he is much less desirable as a prospect than if he were married with a family.

I do not think any longer as I did when I first came into the business, that it is particularly important that you know your prospect before you see him. If you know your prospect, and if he has a need and you can tell your story under favorable circumstances, it no doubt helps, but I would rather have a prospect that I didn't know at all who had a need, and whom I could interview under favorable conditions, than a most intimate friend of mine who didn't have a need, or didn't think he had, and who couldn't be interviewed under favorable conditions.

Persistence

Two years ago I had been calling a man on the telephone frequently over a period of a year and a half. I had talked to him on the phone only once out of 14 attempts and he had promised he would see me sometime when he wasn't too busy, but he was always too busy. I had a hunch one evening and called him long-distance on the telephone at his home. He made a date to see me and when I walked into his office his greeting was "Well, it's nice to meet you—what have you got to sell?" This persistence resulted in the sale of a substantial policy on his key man, a substantial policy to his daughter, and I have completed the sale of a pension trust to his firm.

Knowledge and Thoroughness

In order to grow in the business you need not be a genius or a lawyer, or a graduate of business school or college, but you must study, because if you don't know your business there will be an occasion when you'll be found wanting. You don't know when the time will arrive, but if your are found wanting, the news will travel fast Good news travels slowly—bad news is a speed demon. If you give a successful client the wrong answer, you'll have difficulty selling any of his associates later on. So I feel for those of us who want "to grow" we should be reasonably prepared to give the correct answer. I believe that all of us should read about our business every month. We should subscribe to one or two magazines and we should read some monthly service and we should also do something in the way of taking courses if we find there is no other way to keep up-to-date in our business. I have done a lot of school work in the last five years since I got into this business and I have found that it pays off a hundredfold.

In Furtherance of Crop Insurance

BY DR. B. NATARAJAN, M.A., D.LITT.,
Economic Adviser to the Government of Madras.

I prepared a Scheme of Crop Insurance and published it as a brochure in 1949. The central objective of the scheme was to protect the individual cultivator against the hazards of nature like droughts, floods, plant diseases and insect pests. Participation in the scheme was to be compulsory. Every peasant, whether his crop was protected by irrigation or not, should contribute a certain amount as insurance premium. The scheme was to begin with insurance of the paddy crop, and after some experience of its working, was to be extended to other crops. The premium was to be paid in kind. Compulsory participation was to be made more acceptable and equitable by the devising of differential rates based on the extent of availability of water-supply. An autonomous corporation was to run the scheme on business lines.

Public reception to the scheme was, on the whole, warm. Conferences of co-operators and ryots' organisations at numerous places passed resolutions welcoming it, and I was called upon to explain it before large audiences of agriculturists. Indeed, there was unmistakable evidence of serious and constructive thinking on the subject.

Compulsory Participation

The main criticism was against the principle of compulsory participation. It was pointed out that in the United States, the Scheme of Federal Crop Insurance which has been in force for some years past, was based on the principle of voluntary participation. Crop Insurance in the conditions obtaining in India has to be more than a protective device against risks. It has to partake of the nature of a Social Security measure. In a country where the vast majority of farmers are impecunious, where protected water-supply even in advanced States is not more than about 15 per cent. of the cultivated land, a scheme of Crop Insurance has to be not so much a proposition based on profit for the individual farmer, as a mutual assistance scheme, based on the principle of each for all and all for each. The principle of compulsion unavoidably followed from this.

Compulsion in this context really meant mutuality of assistance and nothing more, the strong coming to the aid of the weak in a co-operative endeavour of mutual benefit. It was no small comfort to me when I learnt that Japan which had tried agricultural insurance on a practical scale extensively, had adopted this principle of mutuality, and would stick to it despite heavy odds and the almost irresistable pressure of American ideology.

Little information

There were indeed references to the Japanese Scheme of Agricultural Insurance in the Crop Insurance literature, but these were of the slightest kind. Not much detailed account was available. This was because Japan started the scheme during the early years of the last war and then when she plunged into war nothing more was heard about it by the world outside. Then came the Allied Occupation. The Natural Resources Section of the General Headquarters of the Supreme Command Allied Forces had a detailed investigation made into the subject by Mr. William H. Rowe. But this study was published only in February 1952. Until then there was little information on the Japanese system of Crop Insurance.

During my last visit to the United States in the winter of 1951, I had occasion to make a special study of the Federal Crop Insurance Scheme as it obtained in that country. I had the benefit of a series of discussions with Mr. William Rowe of the Federal Crop Insurance Corporation and his colleagues. The opportunity was availed of by me to get my scheme for the Madras State scrutinised by Mr. Rowe and his team of experts. Mr. Rowe, it may be mentioned, is a pioneer in the field and was connected with the Federal Crop Insurance Scheme from its start. And he now had the added experience of his Japanese study. I could not have wished for a better informed or a more sympathetic critic.

Need for Pilot Scheme

My scheme was to be introduced at one stroke throughout the entire paddy crop in our State. The logic behind this was, the wider the coverage the smaller the risk in insurance. Any other course might result in initial losses which would discourage its eventual extension. This was uppermost in my thoughts and I had not adequately calculated administrative difficulties in launching a programme of State-wide dimensions. Mr. Rowe, however, brought home to me the need for public education and preparation of the public mind before a novel scheme like this could be introduced. I became a convert and accepted that a pilot scheme in one or more compact areas would be needed, provided its financial results are not taken as criterion of its execution.

I made valuable modifications in Rate Construction also on the advice of Mr. Rowe. I had thought of a differential rate in kind for the premium which worked out on an average to 19 Madras measures of paddy or nearly 3 per cent. of the yield per acre of land. This was based on 30 years' average of normal and actual yields for the entire State, with allowances for administration and other charges. Mr. Rowe and his acturial experts who went into my Rate Construction in some detail, were of opinion that it would be wiser to have a slightly higher rate to start with, and if necessary to revise it downwards later, rather than begin with a low rate and put it up later. Psychologically, the latter procedure would have a damping effect on the scheme in its initial stages. The result was that I loaded the original differential rates appreciably.

Conditions in Japan

The Office of the Federal Insurance Corporation enabled me to visit a number of farms and I could see for myself how the work of valuation of crops for the purpose of determining the premium amount was conducted in the States and how the schemes worked in practice. There was still the question of the compulsory aspect in my scheme to be settled. American democratic sentiment and American Crop Insurance practice would not admit of it. But Mr. Rowe had a sympathetic understanding of my approach to the subject. He had seen something of Asiatic farming conditions and had appraised the Japanese sentiment towards compulsion.

He therefore suggested that I had better visit Japan on my way back and study conditions there first hand. Mr. Rowe placed in my hands a copy of the Report on the Japanese Crop Insurance Scheme which he had prepared for the Natural Resources Section of the General Headquarters after a study on the spot, and loaded me with valuable introductions to Tokyo. I made the return voyage via the Pacific instead of the Atlantic, and made a brief halt in Japan to enable me to undertake a further study.

Mutual Assistance System

The Japanese Agricultural Insurance System is essentially a Mutual Assistance System and is known as such. It involves compulsory membership, Government subsidies and detailed Government supervision. It recognises the need for stabilising agricultural income and the need to reduce and regularise expenditure for distress relief in the Agricultural Sector. Over and above all these, it was conceived of as a welfare measure to prevent social unrest in rural areas, as also to encourage agricultural production in higher risk areas. Benefit payments are made on a sliding scale varying from 17.5 per cent of coverage from damage of 30—50 per cent to 100 per cent coverage for 90—100 per cent damage. In other words, the coverage theoretically averages 50 per cent of the real total yield expectations and this it guarantees in advance. Accounts are maintained separately for each scattered plot belonging to individual farmers.

More than five million farmers out of a total of six millions participate in insurance on paddy. And there is an equally elaborate system of livestock insurance at work. The principle of compulsory participation has taken such deep root in Japan and the Japanese are so convinced of its efficiency that they would entertain no thoughts of a change. The following extracts from the report on the Japanese Agricultural Insurance System by Miss. Dorothy Goodwin and Mr. Saturo Kunimi may be relevant in this connection.

"The Japanese experiment with compulsory subsidised insurance designed both to stabilise farm income and add to it has a world-wide significance and is attracting increasing international interest.

Era of Plenty

My study of the subject and the brief experience I had gained of the working of Crop Insurance abroad have, no doubt, resulted in modifications of my scheme in some details: basically, I remain more than ever an ardent advocate of the essential features of my Crop Insurance Scheme. Before a novel scheme like this can be introduced we should have the benefit of at least two normal years of monsoon.

Four years have passed since the scheme was drawn up and we are yet to see one normal year. But hope springs eternal in the human breast, and may be the coming monsoon season will be the harbinger of a swing back of the pendulum to an era of plenty.

—*Madras Information*.

Insurers' Views on Indian Insurance

(Extracts from the 1952 Annual Reports)

By SIR PURSHOTAMDAS THAKURDAS, *Chairman, "Oriental"*.

IT is surprising that when certain abuses are rampant in a type of business activity and suitable laws are passed by the Legislature of the country to remove them, these very abuses reappear in a more intensified form even after the law is passed. This is precisely what has happened in the business of Insurance and particularly Life Insurance. The Insurance Amendment Act, 1938, concerned itself amongst other things with the removal of two sinister malpractices in the business of Life Insurance which were prevalent at the time when the law was passed and which were hampering considerably the healthy growth of Life Insurance in this Country. These were rebating by which is meant a part of the premium, at least of the first year's if not of renewals, is returned to the life assured and payment of excessive commission which latter both directly and indirectly fostered the first named evil, viz., rebating. The malpractice used to take in several cases the shape of the creation of more than one intermediary between the Branch Manager and the Agent merely to indulge in payment of high commission and rebating with the salary of the intermediary which is paid for no service whatsoever rendered to the institution. The 1938 Insurance Act made rebating an offence both for the one that offers and the one that takes and the same Act imposed maximum limits to the commission that could be paid both on first year's and renewal premiums.

It is a matter of common knowledge that after the passing of the Act, rebating and excessive payment of commission got, if anything, enormously intensified and from their very nature it will be extremely difficult to prove the commission of either of these two evils in a particular case in such a manner as to convince a Court of Law. When these evils are present, canvassing by a Life Insurance Agent is carried to a sphere divorced from the normal ethical standards that should be adopted in canvassing, viz., of advocating the merits of the Company he represents by stressing its good features and recommending the best type of policy suited to the needs of the prospective life assured. Human nature being what it is, the Agent who gives the highest rebate is able to secure a large volume of business irrespective of the soundness or otherwise of the institution with which he is associated and he usually recommends a type of policy that gives him the largest commission without any regard to the suitability of the policy taking the financial circumstances and the family responsibilities of the life to be assured.

Some foreign competitors of Indian Insurance Companies used to give to this rebating a superficially innocent garb by

quoting a lower rate of premium to persons of high economic status who, they argued, would be subject to lower mortality. Such a practice goes directly counter to the very basis and structure of Life Insurance, viz, co-operation of the highest order. If the population is to be dissected into sections on the basis of economic status, why not dissect them on the basis of salubrity or otherwise of the climate in which they live and similar factors affecting longevity? In other words, why should not the Country be cut up into sections on the pattern of a chess-board based upon climate, health and so many other factors that influence mortality either beneficially or otherwise and companies quote differential rates of premium corresponding to the mortality risk? It is hardly necessary to say that such a course would be repugnant to the very idea of Insurance. Persons of lower economic status should not have to pay a higher premium as compared to what is paid by those of higher economic status which the former can ill afford and the payment of the same rate of premium by the rich and the poor varying only with age and the state of health as revealed by medical examinatoin at the time of effecting insurance is the very foundation of the broad co-operative spirit underlying the structure of Life Insurance. Apart from the fact that the administration of any Insurance Office under the complicated basis envisaged by cutting the premiums finely for differences in economic status will be extremely cumbersome and very costly, the very idea is repugnant to the basic principles of Insurance by which the long-lived pay for the short-lived provided that at the time of effecting Insurance both have the same standard of health as decided by Medical selection and those that are subject to extra mortality due to health or other factors such as personal and family history and to a limited extent occupation at the time of commencement of risk are made to pay a suitable extra. Although rates of premium may vary from one country to another, it is basically wrong to dissect the population of one country into various sections and quote different rates of premium for these sections.

It may be some consolation that as a result of the deleterious effect of the practice above referred to which was copied by some of the Indian Companies, the Executive Committee of the Life Insurance Council which gave earnest consideration to the problem and devoted more than one meeting to discussing it threadbare has issued a directive to the Companies that the practice of quoting reduced rates of premium to specified categories of persons should be discontinued and it is to be hoped that Companies will appreciate the good that the business of Life Insurance will derive from observing this direction. It will be seen that under Section 64J of the Insurance Act the main function of the Executive Committee of the Life Insurance Council is "to aid, advise and assist insurers carrying on life insurance business in the matter of setting up standards of conduct and sound practice and in the matter of rendering efficient service to holders of life insurance policies".

The Committee has also issued a Code of Conduct which, if observed, will go a long way towards eradicating other evils which unfortunately permeate the business of Life Insurance. It is not my desire to go into the details of this Code but I shall content myself with referring to only one or two aspects. A scrutiny of the provisions of the Code of Conduct will reveal that it has been drawn up so as to give greater latitude to younger and smaller Insurance Companies as against their bigger brethren. For instance, while the former are allowed to pay in all cases the maximum rate of commission provided in the Act, the bigger companies are enjoined on to reach this maximum by a sliding scale based upon the volume of business introduced by the Agent. Again, in the organizational set-up, the bigger Companies are required to have only one intermediary between the Branch Official and the Agent whereas for the smaller Companies two intermediaries are allowed for a certain period.

I hope the Companies will abide by the directive above referred to about not quoting different rates of premium and the rules under the Code of Conduct made by the Executive Committee of the Life Insurance Council in the spirit in which they are framed and act according to the strict letter of those requirements.

While on this subject, may I not give a piece of advice to foreign Insurance Companies which transact business in this Country and ask them to realize that those days when they used to conduct their business operations in this Country under the protection of one or other of the Sections of the Government of India Act which prevailed prior to the securing of Independence by this Country no longer exist? The national feeling in this Country has now been aroused and while foreign business houses will be tolerated to a certain extent so long as they act in such a way as to set a good example to indigenous institutions, they should not try to indulge with anything like impunity in methods calculated to hamper the growth of national institutions by dumping through rate-cutting or other methods which unfortunately are being practised by some of these institutions. I put this forward as a piece of advice and if this is not heeded by the foreign competitors who are offending in this respect, then an appeal will have to be made to our Government to take sterner measures against them. I do hope these institutions will not force indigenous Companies to resort to this measure.

As you are aware, the Estate Duty Bill was reintroduced in Parliament about a year back after a similar Bill having been introduced and abandoned for various reasons twice before in 1946 and 1948. Confining myself to those provisions in the present Bill which affect the business of Life Insurance, I would point out that the Bill as originally introduced in Parliament did not contain any specific exemption from Estate Duty in respect of Life Insurance policy moneys. However, this lacuna was remedied to a certain extent by the Select Committee to which the Bill was referred and the Bill, as amended by the Select Committee, makes mild provision for certain specific exemptions up to a certain extent from Estate Duty in respect of Life Insurance policy moneys belonging to a deceased person which pass on his death. According to Clause 32 (I) (f) of the Bill, moneys payable under one or more policies of insurance effected by a deceased on his life for the purpose of paying Estate Duty or assigned to Government for the said purpose will be exempt from Estate Duty to the extent of the amount of duty payable. This is a concession and would act as a fillip to the business of Life Insurance. The reason is that since Estate Duty will be payable on all forms of property, e.g., land and house property, property represented by investment in business, etc., it will become fairly common judging from the experience in other countries where Estate Duty is in operation for persons to take out Insurance Policies for the specific purpose of providing readycash on their death for paying Estate Duty. The underlying object of this, of course, is to prevent the land or house property or business having to be sold, mortgaged, etc., merely for the purpose of paying Estate Duty. This is a laudable object and it is in the interests of the Country's economy that businesses or estates which may have been built up as a result of patient and painstaking endeavours over a long period should not have to be wound up or broken up merely as a result of having to pay Estate Duty.

Then there is Clause 32 (I) (g) in terms of which exemption from Estate Duty will extend to moneys payable under one or more policies of insurance effected by the deceased on his life to the extent of Rs. 5,000 There is yet another Clause, viz., Clause 32 (I) (j), according to which, *inter alia*, moneys earmarked by a deceased parent or natural guardian, in consideration of the marriage of any of his female relatives dependent upon him for the necessaries of life, under policies of insurance will be exempt to the extent of Rs. 5,000 in respect of the marriage of each of such relatives. The latter two provisions propose to give such meagre relief that, in my opinion, it is hardly worth the name. It is well known that this Country has a very low *per capita* insurance as compared to other countries. The need for intensively fostering insurance consciousness and aiding the development of Life Insurance business is, therefore, all the greater in this Country because social security in the form of provision for one's old age and for the family in the event of his premature death has in India mainly to be provided for and arranged by the individual himself, as the State's responsibilities and State sponsored schemes in this direction do not compare, either in scope or in extent with similar responsibilities and schemes in advanced countries. It is, therefore, in my view imperative that where the policy moneys are payable to named beneficiaries, i.e., where the policies are effected under the Married Women's Property Act or where the policyholder has executed a nomination or assignment, either absolute or conditional, the limit of exemption should be fixed at a figure not less than Rs. 1 Lakh.

Apart from the specific exemptions mentioned above, there are Clauses 9 and 10 of the Bill dealing with gifts which provide that Estate Duty will not be payable on gifts of property made not less than two years before the death of the deceased, provided *bona fide* possession and enjoyment of the property gifted away was immediately assumed by the donee and thenceforward retained to the entire exclusion of the donor. Doubts have been raised in certain quarters whether the above provision as to gifts of property applies to gifts of moneys payable under Life Insurance Policies. It will, therefore, have to be made clear, in the course of the passage of the Bill through Parliament, that Clause 9 of the Bill applies also to gifts of Life Insurance Policies. Quite apart from this, the conditions laid down in these Clauses which would qualify a gift for exemption from Estate Duty are such as to whittle down considerably the value of this exemption so far as Life Insurance Policies are concerned. It was to meet the need of expeditiously settling claims under Life Insurance Policies that the Insurance Act, 1938, provided by Statute an easy and convenient mechanism for transfer of Life Insurance Policies in the shape of nominations as well as conditional assignments. The advantages are that the policyholder transfers the interest in the policy to a nominee or assignee but in the event of the nominee's or assignee's death during the policyholder's lifetime, the nominee's interest lapses or the assignee's interest reverts to the policyholder with the result that the necessity of taking out evidence of title to the nominee's or assignee's interest in the policy is avoided and the policyholder is once again immediately in a position to effect a second nomination or assignment in favour of a fresh beneficiary. If the gift of the policy in favour of the nominee or assignee were to operate as an absolute gift so that the donor retains no further interest in the policy, extreme hardship will result as used to be the case prior to 1938 in the settlement of claims under Life Insurance Policies because in the event of the prior death of the donee, it would become necessary to go to a Court of Law to obtain evidence of title to the estate of the nominee or assignee. It would, therefore, be doing a disservice to policyholders and claimants to force the former to effect absolute assignments as a condition precedent to exempting the policies from the scope of Estate Duty because the difficulties and hardships which would flow from such a step would far outweigh the advantages that would accrue from exemption from Estate Duty. The condition, viz., that the donee should assume possession and enjoyment of the property to the entire exclusion of the donor should not, therefore, operate in respect of Life Insurance Policies.

The condition that the gift should have been made at least two years before the death of the donor should not apply to Life Insurance policies since it may happen that in a number of cases the policyholder may die before the expiry of the minimum period reckoning from the date of execution of a second or subsequent nomination or assignment which nomination or assignment he had of necessity to execute as a result of the unfortunate death of the person in whose favour he had previously executed a nomination or assignment which fact had established his *bona fides*: and clearly indicated his intention to divest himself of the interest in the policy from the day he executed the first nomination or assignment.

I must finally mention Clause 14 which would work a real hardship in respect of Life Insurance Policies. That Clause lays down that money received under a policy of insurance effected by any person on his life, where the policy is wholly kept up by him for the benefit of a donee, whether nominee or assignee, or a part of such money in proportion to the premiums paid by him, where the policy is partially kept up by him for such benefit, shall be deemed to pass on the death of the assured. This Clause has been almost bodily lifted from the corresponding English Act and to the utter disregard of the vast difference between the conditions obtaining in the two countries. While in the United Kingdom it is fairly common for the wife to have a separate property and separate income wherewith she would be in a position to pay the premiums on a policy gifted to her by her husband, in India it would be only a microscopic minority of the policyholders whose wives will have a separate income of their own and thus be in a position to pay out of their own income the premiums on policies which their husbands might have transferred to them by way of gift. In the overwhelming majority of cases, therefore, the premiums falling due subsequent to the date of gift will also be paid actually by the policyholder himself with the result that the benefit of Clause 9, viz, exemption from Estate Duty, will not be available in actual practice. On the other hand, if the premiums subsequent to the date of gift were to be paid by the donee, the policyholder will not be able to get the rebate on insurance premium allowed under the income-tax Act and thus what the claimant stands to gain on the one hand the policyholder will stand to lose on the other. Considering, therefore, the provisions of Clauses 9, 10 and 14 all together, I feel that the benefit in respect of gift of Life Insurance Policies envisaged in the above Clauses will prove illusory in actual practice. Clause 14 requires therefore to be entirely deleted, and Clauses 9 and 10 should be amended as suggested above.

BY DR. M. N. AGASHE, M.B.B.S., *Chairman, "Western India"*

ALTHOUGH there has been continuous increase in business each year so far, we have never considered it as an end in itself. Great changes in business conditions loom large on the horizon and I believe it will not be out of place just to refer to the Government Year Book on the Insurance business in India during the year 1951. Life Insurance plays an important role in the economy of a man's life and it can well be taken as an indication of his trend of saving. Looking at the Government Year Book from this angle of vision, I cannot but say that the picture is not much encouraging. Leaving aside the question of decline in the total new business in 1951, one cannot overlook the fact that the real capacity of the people in general to save systematically is showing sings of gradual decline owing to the high cost of living with the effect that lapse ratio is gradually increasing. In the case of many insurers a fairly large percentage of the business written during the past 3 or 4 years has lapsed. This is a disquieting situation. Along with the high cost of living the tendency to secure business at exhorbitant cost is another reason for this situation. This gives no credit to the insurance industry. The craze for new business at suicidal cost should therefore stop now. So far as we are concerned, I feel glad that we have scrupulously denied this temptation. The boom period created by inflation has now definitely gone and one has to be content with the natural flow of quality business at low cost. I would commend all those connected with insurance whether in the Office or in the field, to educate the public not to judge a Company by the volume of new business written from year to year but to take into account its financial postion, economic management, low lapse ratio, sound investments, steady yield on investments etc.

By Mr. TULSIDAS KILACHAND, *Chairman, "New Great"*

THE present Government policy of sustaining a programme of long term investment in the Public Sector by a continuous financial transfusion from the Private Sector, as well as by deficit financing. is fraught with grave danger. The Government should try to find out how far such policy has been responsible for the fall in urban employment. If the Public Sector is unable to provide employment on a large scale, it is necessary for the Government to take measures to stimulate activity in the Private Sector by affording appropriate incentives. I hope that the Taxation Enquiry Commission will give a lead in this matter.

I would like to refer here to the State of Insurance Business in general and the problems that have arisen as a result of the enforcement of the Insurance (Amendment) Act, 1950. I had stated in my last year's Speech that in spite of the limitation of overall expenses for acquisition of business, the actual cost had remained at a higher level than was generally expected. The Executive Committees of both the General and Life Insurance Councils have introduced Codes of Conduct for Insurers to observe in their Business. I have carefully examined these provisions and I am inclined to think that enforcement of some of the rules of these Codes would lead to the setting up of an uniform pattern for all Companies to follow in the conduct of their Business. I am afraid such a set pattern will not suit all Companies. On the other hand, my fear is that such a set pattern might adversely affect the working of small and new Companies.

Although I fully share the anxiety of the authorities to place the business of Indian Insurance on a sound footing, I would like that in suggesting corrective measures, sufficient caution is exercised, so that certain units of the Trade are not adversely affected. The fact that about as many as 107 Indian and 98 non-Indian Companies are working (I am referring here to General Insurance Business) shows that there is enough business available in the country. The object of the Government as well as the Trade is to see that Insurers transact business on healthy, clean, and sound lines. I know that it is difficult to produce any scheme which will be satisfactory to all but, in a situation like this, the Scheme that receives a great measure of acceptance from the Insurers, should be the most desirable one that should be enforced. In this context, it is my feeling that, for its part, the Trade should face the problems boldly and evolve a Scheme which should ensure that Insurers in this country carry on their activities just like any other private enterprise anywhere in the world, in an atmosphere of healthy competition, with the minimum of interference from Government in its rountine working. The task, indeed, is difficult, but I am convinced that with good-will on all sides, it would not be impossible to achieve the objective.

"Freedom and Publicity" have been the keynotes of the policy of statutory control in the United Kingdom. i.e. freedom from control in the day to day working of the Companies, and publicity of their financial position, so that the public are able to know the security offered by the Companies to which they entrust their insurances. This policy has enabled the British Insurance Companies to become what they are today.

I would, therefore, earnestly request the authorities to exercise suitable overall supervision on Insurance Companies in India to ensure that they carry on their Trade on healthy lines and offer adequate security to the insuring public, and avoid vexatious and detailed interference in their daily activities. It is my feeling that each Insurer should be free to transact his business with the minimum interference from the State, without the latter laying down a definite routine to be followed in his programme of organisation or administration.

At the same time, I am of the opinion that while competition is the keynote of private enterprise, Companies should avoid ruinous competition which is sure to affect them adversely in the long run. They should remember that they are credit institutions and, as such, they should maintain the highest standards of rectitude and business morality, and conduct their business in such a way that they offer maximum security to their clients. There is ample scope for all in this country and, moreover, with the development and expansion of industries under the Five-Year Plan, there are new opportunities for securing increased new business. Industrialisation also offers opportunities for developing new classes of business and thus increase their income. I therefore, suggest for the consideration of the Trade that Companies should start thinking of expansion on these lines, rather than augmenting their income by transfer of business from one Company to another. I realise that it is inherent in the existing Scheme of things that there are bound to be tranfers owing to presonal influences and business connections, but I wish to clarify that transfers should be confined to those resulting from these reasons. It should also be realised that indiscriminate deflection of business from one Company to another, as a result of unhealthy competition, affects the soundness of the Companies adversely without adding to the proper growth of the Trade, and exposes our enterprise to criticism. It should, therefore, be the aim of every Insurer to conduct his affairs on healthy lines, so that Indian Insurance can, one day, achieve a position of high eminence which has been attained by Companies in other more advanced countries.

Reviews

Oriental Govt. Security Life Assurance Co., Ltd.

Business in force exceeds Rs. 200 Crores

QUITE in keeping with its tradition and reputation, it is highly gratifying to note that the Oriental Govt. Security Life Assurance Co., Ltd., Bombay, has set up an outstanding record of business progress for the year 1952. The total income, Funds and the business in force as at the end of the year registered a sizable increase, while there was a marked improvement in the interest yield and in the mortality experience.

As in the previous years, the new business reached a high level. The number of policies issued was 71,359 and the sums assured, amounted to slightly less than Rs. 21¼ Crores, the average sum assured per policy being Rs. 2,974. This record shows a slight decline over the figures of the previous year and indicates the general business depression and the unfavourable economic conditions that obtained during the year. The total premium income at Rs. 9,17,79,468 compares significantly with Rs. 893½ lakhs in 1951; the income from interest on its investments amounted to Rs. 1,97,81,543, giving a net yield of 4·05 % as against 2·94 % in the preceding year, the difference being attributed to to the refund of tax for both 1951 and 1952 in the year under review. It is pointed out that had the refund of tax been received for 1951 and 1952 in the respective years, then the interest yield would have worked out to 3.43 % and 3·58 %.

Payments to the Policyholders and beneficiaries by claims under death and maturity amounted to Rs. 3,71,83,294, the death claims alone representing a sum of Rs. 1,09,31,400. That there had been further improvement in the mortality experience during the year is evident from the fact that the Actual to expected Deaths were only 42·9 % as against 46·6 % in 1951 and 51·4 % in 1950. The lapse ratio was satisfactory at 5·7 %. The management expenses absorbed 23·2 % of the premium income and the Renewal Expense ratio was 14·76 %. As a result of the working for the year, an addition of Rs. 474 lakhs was made to the Life Fund, the Funds totalling over Rs. 67¾ Crores. The assets increased to about Rs. 71·40 Crores and the excess of the aggregate Market Values over the aggregate Book Values on the company's investments in Stocks and Shares amounted to more than Rs. 55 lakhs.

Oriental Fire and General Insurance Co., Ltd., the subsidiary concern of the parent company, has forged ahead during the year and the premium income in all the departments has expanded when compared to the past year. The net premiums in the Fire Department amounted to Rs. 10,55,037 and the loss ratio worked out to 34·98 % the profit being Rs. 2,37,786. In the Miscellaneous Account, the premium income advanced to Rs. 3,51,207 with a loss ratio of 32·96 %; the Marine

Business accounted for a premium income of Rs. 57,042 with a loss ratio of 68 %. The Reserves in respect of Fire, Miscellaneous and Marine Departments amounted to Rs 5,50,618, Rs. 1,60,108 and Rs. 57,042 respectively. Reserves represent 50 % of the premium income in respect of Fire and Miscellaneous departments and 100 % in the case of Marine Department. The Profit and Loss account showed a Balance of Rs. 3,12,639 after all adjustments, and this has been utilised towards the loss of the previous year amounting to Rs. 2,88,635. The balance of Rs. 24,003 has been carried forward to next year's account.

To sum up, the institution has admirably kept up its glorious tradition of progress as in the past and it is managed remarkably well, enjoying the unstinted co-operation of the insuring public. It is worthy of note that the ORIENTAL being an Insurance Combine, transacting now all classes of Insurance Business besides Life, the profits accruing from the General business go to swell the profits of the Life Policyholders who, in turn, can look forward to increasing return on their participating Life Policies. This added attraction is bound to interest the public in a greater measure and we trust the response from the public will be larger than hitherto. We wish the institutions every success.

Western India Life Insurance Co., Ltd., Satara.

THE Directors' report and the annual accounts of the Western India Life Insurance Co., Ltd., for 1952 indicate another year of progress and prosperity. Well known for the sound practice of business principles, the institution has attained an enviable stature in the world of insurance in the country, serving its policyholders to their advantage and benefit. During the year under review, the management has done exceedingly well in keeping up its proud record of the past.

There was a slight increase in the new business transacted, the same amounting to Rs. 2,69,10,276, the number of policies issued being 11,188. This should be considered a creditable performance in view of the growing unemployment and deteriorating economic conditions for the year. The annual premium on the new business amounted to Rs. 13,03,821. Besides, 79 policies were issued under Family Pension and Annuity plans, the amounts of annuities, annual premium and purchase price being Rs. 31,670 p.a., Rs. 28,064 and Rs. 43,017 respectively. Single premiums amounted to Rs. 21,021. The total premium income for the year amounted to Rs 89,53,700 while the income from investments was Rs. 22,51,315, working out a satisfactory net yield of 4·27 %.

It is of interest to note that payments by way of claims were made to the extent of Rs. 26 lakhs during the year to well over 1,700 policyholders or their beneficiaries; out of this 1400 were maturity claims and the rest were death claims. It is gratifying that the experience of the company in regard to mortality is highly favourable and points to the care exercised in the selection of the business. The

expenses of the management were within margin, the renewal expense ratio being only 14 %. The overall expense ratio was 23·89 %. The Life Assurance Fund at the close of the year rose by a substantial amount of over Rs. 55 lakhs and amounted to Rs. 5,60,73,212. Besides, there is an Investment Reserve Fund Rs. 24,75,000 as provision for depreciation on its investments.

The Company is represented in all important cerntres by regular Branch Offices with a dependable organisation. The company's favourable premium rates and good bonus record, supported by solid assets, are few among its many salient features and we have no doubt that the future is bound to be very progressive and prosperous.

Industrial & Prudential Assurance Co., Ltd., Bombay

ESTABLISHED in 1913, the Industrial and Prudential Assurance Co., Ltd., Bombay, has developed into a mighty institution with huge funds. The company has to its credit an influential directorate consisting of prominent industrialists and successful businessmen and the management is careful and conservative with a progressive outlook. During 1952, the Company issued 6694 new policies assuring sums of Rs. 2,54,24,000 with a premium collection of Rs. 12,91,604. The new business as also the premium income showed an increase over the previous year. The total premium income increased to Rs. 1,04,80,378 and the income from interest, dividends and rent amounted to Rs. 21,86,606.

Payments to policyholders and beneficiaries by way of claims under death and maturity, including bonuses, amounted to Rs. 37,19,636. The cost of administration was within the limits and the renewal expense ratio worked out to 14·9 %, while the overall expenses were 23·9 %. The Life Assurance Fund stood increased at Rs. 5,82,94,780, an increase of Rs. 49,61,740 over the preceding year. The total investments in Stocks and Shares amounted to Rs. 4,76,12,490 and the difference between the cost price and market price of these investments is covered by the Investment Reserve Fund of Rs. 45 lakhs. Investments in Government and Approved Securities alone amounted to Rs. 2,95,09,471.

The total life assurance business in force as at the end of the year was Rs. 20,02,45,838 under 63,642 policies. Out of this, business of Rs. 1,62,21,787 is re-insured.

The company has built up an extensive organisation all over the country and continues to maintain its onward march each year. With its popularity for great strength and enlightened administration, the Company is sure to expand and grow bigger still. We wish the company all success.

New Guardian of India Life Insurance Co., Ltd.

DURING 1952 the New Guardian of India Life Insurance Co, Ltd., Madras has progressed to greater strength and stability and the new business is maintained at a favourable cost. The report of the Directors for the year shows that the new business amounted to Rs. 54,63,150 under 2,058 Policies, the first year premium collected thereon being Rs. 2,58,492. The total premium income rose to Rs. 15,99,332 while the yield on investments of the assets by way of interest, dividends and rents was Rs. 2,38,223. Claims by death and maturity amounted to Rs. 2,48,009 for the year and out of this and out of the outstanding claims at the beginning of the year, a total amount of Rs. 2,58,697 has been paid. Since the founding of the company, the total payments made in regard to claims, exceeded Rs. 15 lakhs.

The management has been always cautious in the matter of expenses and the renewal expense ratio for the year was about 15%. As a result of the working for the year, the Life Assurance Fund was raised to a total of Rs. 64,29,942 from Rs. 54,77,500 in the previous year. The total business in force as at the end of the year exceeded Rs. 3,08,00,000. The total assets advanced to over Rs. 70 lakhs and they are covered by high class investments; the Investment Reserve Fund, set up for possible depreciation on its funds, stood at Rs. 2,48,972.

We have all praise for the institution that is conducted on sound and safe lines all along. The mangement have never cared for spectacular results, believing as they do in steady and sure advancement; keeping the expenses within healthy limits, maintaining the new business at a steady level, and serving the policyholders satisfactorily and promptly are the characteristic features of the Company. With the progress and efficiency that the institution has achieved so far, we have no doubt that there is a bright future facing the company. We wish the institution all success.

Central Mutual Life Insurance Company, Ltd.

WE have great pleasure to record that Central Mutual Life Insurance Company, Ltd. is making steady progress year by year, in keeping with the Company's declared policy of running the concern only at economic cost, and on sound Insurance principles.

During the year ended 31st December 1952, the Company has completed a business of Rs. 5,75,000/- which is more by Rs. 25,000/- over that of the previous year and collected Rs. 1,48,76 by way of First Year and Renewal premiums. Considering the all round depression in the business, this increase is indeed creditable. The Company has succeeded in increasing the Life Fund from Rs. 5,40,000/- to Rs. 6,70,062/- only by keeping the Renewal Expense Ratio as low as 13.8% and Over-all Expense Ratio at 22%; the figures for the previous year are 14.2% and 23.9%. Out of the total assets of Rs. 7,63,423/- the Investments in Government and Approved Securities amount to Rs. 4,01,550/- and loan on Mortgages etc. amount to Rs. 52,449/-. The Company's property in Poona is shown at Rs. 1,83,341/-. Even in these days of falling interest rates, the Company's average net interest yield is over 4% and it can thus be safely said, that Investment port-folio of the Company is in the most able hands. The next Valuation of the Company is due to be made as on 31-12-1952. All the required data has been furnished to the Company's Actuary Prof. G. S. Diwan, and the results of the Valuation are expected to be out by the end of September 1953. With this low expense ratio and a good interest yield, the Management will be fully justified in its optimism of showing a divisible surplus in its Valuation.

Sri. Fazal A. Fazalbhoy is now the Chairman of the Company, and we are confident that under his able direction, Shri S. N. Agashe, the Managing Director, will soon bring the 'Central Mutual' in fore-front. We wish the Company all success.

OBITUARY

Lala Shankar Lal passes away.

We regret to record the passing away of Lala Shankar Lal at Delhi on July 4. He was 69. Born in the State of Patiala, Lala Shankar Lal took active part in the politics of the country and has undergone imprisonment more than once. After leaving Congress, he closely allied himself with Mr. Subhas Bose and formed the Forward Block. He was the founder of the Tropical Insurance Co., Ltd., and was connected with few more insurance firms besides a number of other businesses.

News

The Chartered Insurance Institute, London.

Examinations, 1953.

The following candidates from India completed their Associateship examinations:

BOMBAY: Billimoria, Jamshedji F. (Depositor's Benefit) Ord. Life Branch; Khambatta, Jehangir M., (Gresham Life) Ord: Life Branch; Nadkarni, Subrao N., (Gresham Life), Ord. Life Branch; Hudd, Harold W. F, (Legal & General), Accident Branch; Shamdasani, Lachman P., (New India), Marine Branch.

CALCUTTA: Roy, Raj M, (Scottish Union), Fire Branch; Smith, George C., (North Br. & Merc), Fire Branch; Biswas, Ajit K., Ord. Life Branch; Banerjee, Ramendra K. (Atlas), Accident Branch.

DELHI: Kaul, Kashi N., (New Asiatic), Ord. Life Branch; Sharma, Laxmi N. (Prudential), Ord. Life Branch; Bhatia, Jeewan L. (Employees' State), National Branch; Chand, Harish (Employees' State), National Branch; Nanda, Mohinder P. (Employees' State), National Branch; Nayar, Gautam R. (Employees' State), National Branch; Sethi, Tilak M. (Employees' State), National Branch.

MADRAS: Ramakrishnan, M. (United India), General Branch; Vydyanatha Sarma, A. R. (Tr. Cochin State), Ord. Life Branch; Srinivasa Raghavan, R. (Prithvi) Accident Branch.

NAGPUR: Vaidya Govind K. (Hind. Co-op.), National Branch.

PATIALA: Singh, Kuldip (Patiala), Fire Branch; Hari, Sukhdev S. (Patiala), Accident Branch.

TRIVANDRUM: Krishna Iyer, S. (Tr. Cochin State) Ord. Life Branch.

The following candidates from India completed their *Fellowship* Examinations.

CALCUTTA: Ransoms, Ivan G (Northern)

MADRAS: Shelvankar, Vittal S. (Oriental Life).

SIMLA: Jain, Chaman L (Government of India).

Oriental Govt. Sec. Life Assce. Co., Ltd.

Mr. K. P. Chinnappa entertained.

We understand that Mr. K. P. Chinnappa, Branch Secretary of the "Oriental" Trivandrum Branch Office, is retiring shortly and on the eve of his proceeding on leave preparatory to retirement, the officers and members of the staff of the Branch Office held a pleasant function at the office premises on the 16th May last. Well-deserved tributes were paid on the occasion to Mr. Chinnappa who joined the institution as an Agent in 1923. From his early days, Mr. Chinnappa took active interest in promoting the rural, social, economic and political life of Coorg, his native place, and was successively President and Secretary of several co-operative societies and unions. He was also a member of the District Board, and Coorg Legislative Council. With such good background and influence, Mr. Chinnappa forged his way ahead in the

insurance field. He was promoted in 1932 as Inspector at Mercara and as Sub-Branch Secretary at Bellary in 1935. He was transferred to Trivandrum in 1940 as Branch Secretary. Between 1942 to 1947, he was also Branch Secretary at Colombo. Mr. T. A. Laxman, Chief Assistant, read and presented a farewel address enclosed in an ivory frame to Mr. Chinnappa. Many others among the staff spoke, eulogising Mr. Chinnappa's service to the institution. Mr. Chinnappa replied suitably thanking one and all for the honour done to him.

Mr. E. U. Jacob, who has assumed charge of the Branch as Acting Branch Secretary was welcomed at the same function.

Shri Govindlal Motilal Desai

To bid farewell to Shri Govindlal Motilal Desai, who retired after over 38 years of continuous and loyal service, the officers and staff of the Ahmedabad Branch held a function on 4th June last. Shri Desai joined the staff of the ex-Chief Agents in 1915, and when a branch was opened at Ahmedabad in 1940, he continued in the direct services of the Company attached to Cash and Accounts Departments. The officers and members of the staff of the Oriental Life Office and the Oriental Fire and General presented him with a memento, and Shri K. L. Desai, Branch Secretary, and another senior member of the staff, spoke on the occasion The gathering partook of light refreshments and the function ended with music.

Mr. P. U. Patel

Mr. P. U. Patel, General Manager of the Asian Assurance Co., Ltd., has been elected as the Chairman of the Universal Fire & General Insurance Co., Ltd.

Rajasthan Insurance Conference.

At the first Rajasthan Insurance Conference which was inaugurated by the Hon, ble Mr. Bhogilal Pandya, Minister for Planning and Development, Rajasthan, on 5th July. Mr. Brahma Datta Bhargava, formerly of the General Assurance Society, Ltd., presided and gave in his presidential address sound advice for insurers. Mr. Bhargava rightly deprecated the tendency of insurers for more and more new business at the cost of quality and referred to the urgent need for reducing the lapse ratio in the business. He felt that reduction in the lapse ratio could be achieved to some extent by reducing the first year commission to 30 % and increasing the renewal commission to 15 % in the second year and 10 % in the third year.

Earlier, the guests were received by the president of the Association, Mr. S. K. Thaper.

Indian Insurance Companies Association.

New Office-bearers elected for 1953.

Mr. Laxmidas P. Gokuldas (Chairman);
„ M. G. Mody (Vice-Chairman)

Members of the Committee

Messrs. R. M. Desai, S. K. Desai, M. S. Dastur, G. H. Thakore, V. R. Tolat, R. G. Vijayakar, F. Bloor, T. K. Desai and E. J. Poncha.

Jupiter General Insurance Co., Ltd.

Consequent on the passing away of Mr. K. S. R. Iyer, Mr. M. V. Nadgar has been promoted as Manager and Mr. A. Srinivasa Raghavan M.A., B.L., F.I.A., of the "Empire of India" as Joint Manager.

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THE INDIAN POLICY-HOLDER

VOL XIX SEPTEMBER 1953 NO. 5

Indian Insurance Companies' Association.

Mr. T. K. Desai's address at the 25th Annual General Meeting.

Great future for Indian General Insurance visualised.

INDIAN General Insurance Business, when viewed in the context of the General Insurance Business transacted all the world over, today, may be considered wanting in many respects; but no one can deny that it has a great future before it only if the Insurers take time by forelock and co-operate in every sphere of their activity. That is the sum and substance of Mr. T. K. Desai's presidential address delivered recently at the 25th Annual General Meeting of the Indian Insurance Companies' Association, Bombay. There is much sense and sound reasoning in his conception. Mr. Desai has made a masterly survey of the situation obtaining today keeping in view the conditions under which Indian Insurers have to operate, the way in which they handle the business and the methods they adopt to overcome competition and develop individually. Though General Insurance Business is transacted in India for considerably a long time, Indian Insurers entered the field only during the post-war period of the first World War. Handicapped both by their limited capital structure and absence of encouragement from the Government that was then dominated by a foreign nation, they could not make much headway for nearly two decades. It is only during and after the Second World War, not only the number of Insurers transacting General Insurance Business increased, but also the volume of business handled by them grew rapidly. But then, the consequence of a large number of new comers trying to increase the volume of their business year after year in the midst of powerful foreign Insurers who were dominating the field for a pretty long time, has not been very congenial. The total volume of General Insurance business transacted in the Country during the recent years has gone up of course particularly after the introduction of compulsory motor insurance, but a considerable portion of the Fire and Marine Insurance is controlled more easily by foreign insurers. They are at an advantage in that they are able to win over easily the support of foreign firms who dominate the import and export trade in the Country. Further, non-Indian Insurers, particularly those of U. K. origin enjoy a reputation for service and service capacity. They have at their command huge reserve funds accumulated in the course of a century. They have to their advantage the rich experience gained for generations and above all their world-wide connections and large turn-over of business make it possible to work the average. On the other hand, Indian Insurers have none of these advantages. They do not receive the whole-hearted support of even some of the Indian Banks. In these circumstances one need not wonder if the Indian Insurers struggle hard to get business and in that struggle they scatter to winds sound principles of underwriting. But, yet, efforts are made to regulate their working. On the one hand the Indian Insurance Companies' Association, with a membership of 59 Insurers transacting General Insurance Business, is doing everything possible to put Indian General Insurance Business on a par with that of reputed non-Indian Insurers. The Government of India, in consultation with the representatives of Indian Insurers are trying to regulate the conduct of the business by suitable legislation, on the other. Thus, an earnest effort is now made all round to establish Indian General Insurance on firm foundations and build their business on healthy conventions. The objective is laudable no doubt. But, it must be also realised that in their anxiety to improve the stature of Indian General Insurance, those responsible should see that the measures adopted are not calculated to pull down any of the Insurers just for the reason that they happen to be either small in size or new in the field. There must be whole-hearted co-operation amongst insurers themselves in adhering to certain principles and conventions in the conduct of their business. For instance the code of conduct recently framed in consultation with the representatives of the Indian General Insurance Business is subject to all sorts of criticisms and if what we happened to gather during our recent interview with many of the important officers of Insurers can be of any value, the code is more in the paper than in actual practice. It is obvious therefore that that "code of conduct" lacks the whole-hearted support of the majority of Insurers, and therefore it will fail to establish healthy conventions contrary to the expectations of its sponsors. At one time Indian Insurance suffered progress on account of the absense of any sort of check and today it suffers on account of too much of complicated and rigid controls and regulations. Particularly General Insurance in India today is in bad need of a rational approach, requiring enough freedom for the use of individual talents and sympathetic support both from the Government of India and the public. There must be also unity amongst the Insurers themselves and there should be a spontaneous response from everyone of them to implement healthy conventions in their own interests. They must strengthen their capital structure and commence underwriting various other classes of business as is being done in Western countries and they must without any more loss of time bring into existence well-equipped Institutions in all important centres for imparting efficient technical training. Our country is woefully lacking in technical personnel in various lines and equally in General Insurance Business also. In addition to all these, Indian Insurers must establish reciprocal arrangements with all leading foreign Insurance Institutions and manage to secure a substantial portion of business. Fortunately for the Indian Insurers, the present Minister for Commerce and Industry, Government of India, Mr. T. T. Krishnamachari, is one who has a clear grasp of the entire general Insurance business and the various odds with which Indian Insurers have to contend. We hope, his whole-hearted sympathy and support will go a long way in strengthening the foundations and developing the business of Indian Insurers, substantially.

Term Insurance Has Its Place

BY ERIC V. CHOWN, C.L.U.

Manager, Mutual Life Assurance Company of Canada, Vancouver, B.C.

THERE are ony two kinds of life insurance; namely, Term or Temporary Insurance and Permanent Insurance. To my knowledge, no company in Canada today will sell Term Insurance to last beyond age 70 and most companies will not sell it to last beyond age 65. Actuaries all know what has happened to every association and company which has tried to demonstrate that renewable term insurance by itself is an ideal form of protection.

The classic example is the Provident Savings Society in the United States. By 1895 it had about $200,000,000 of renewable Term Insurance on its books, a large amount at that time. Faced with increasing cost, healthy lives dropped out, with the result that from 1900 to 1904 the actual mortality on the renewable term policies rose to 134 % of the tabular rate. History tells us that in desperation that company began to stress level premium life insurance and sold as much as possible but it was too late and the company was wound up in 1911. That is why people who know the business thoroughly do not buy term insurance, except for temporary purposes.

Account Charges

Evidently, it is not as well known as it should be that in any permanent plan of life insurance, the policyholder's account is not charged with the cost of a full $1,000 of Term insurance year after year, but is simply charged with a Term insurance rate for $1,000 less the cash values the policy has accumulated. Experience has proved conclusively that we must have a permanent plan with cash values accumulated to offset the otherwise constantly increasing cost of providing protection as we get steadily older and march through life. About 90 % of insured Canadian men at age 30 will live to age 50, over 60 % of that group at age 50 will live to be 70 and the life expectancy of the survivors is still about ten years.

Term in Old Age

It is a sorrowful experience to have, as I have, a man bring in a policy of another company and ask me about his retirement values. He was then over 60 years of age. The policy he produced was a Term to 65 contract for $10,000. I sent him along to the company which had issued the contract and he reported to me that he had been asked to pay in the neighbourhood of $650.00 per year to convert the plan to ordinary life, a sum which at that time particularly, he was in no position to pay. He had lost his earning power permanently and yet he felt he desperately needed to continue the protection.

Even Premium

We all know that policyholders frequently fail to distinguish between the various types of policies which they own. It is for that reason that I advocate showing a man what he can buy for an even premium of, say, $100 00 per annum placed in Term Insurance, Ordinary Life, Limited Life or Endowment Policies. It then becomes his responsibility, and certainly not mine to make the choice.

There is a Place for Term Insurance

(1) To cover a temporary obligation, such as a debt or mortgage.

(2) To add to permanent basic plans to provide essential income during the dependency of children

(3) For the young man who has unfortunately postponed buying his first policy until he is married and has a family.

(4) To tide a man's family over a serious period when financial reverses have been experienced and emergency reserves in standard plans have been seriously depleted.

All companies sell and most of us succeed in converting substantial volumes of this Term Insurance business into one or other of the permanent plans.

Invest the Difference?

Some people may find it profitable to buy Term Insurance and to invest the relatively small difference between the cost of that product and, for instance, ordinary life. Personally, I do not know anyone, including myself, who has been very successful in doing so. Nevertheless, I would go along with the idea to some extent that an experienced and fortunate investor, selling at the right time so clearly unknown to most of us, might do all right. But these people are neither average prospects, average policyholders, nor average people.

If you have children you realize that life consists of a series of emergency situations which cash value of life insurance helps to solve. May I be pardoned if I give you my own family experience as to this question?

(1) Our cash values are an excellent savings account. Every dollar of our capital has either come to us in cash or will do so in due course. As a matter of fact the increase in our cash values annually now, free from income tax as they should be, exceed the premiums I have been paying for an average of more than twenty years.

(2) Our program guarantees I need never pay a higher premium for my life policies (if I have a continuing need for them as I hope I do have) than I paid when I was a comparatively young man.

(3) My dependents have been protected when they have become ill and I had to borrow money. It has helped to pay for bringing our children into this world.

(4) It has helped and is helping to educate our children, the youngest of five of whom starts in university shortly.

(5) It made it possible for us to buy a home, worth a lot more than we paid for it and even some highly speculative securities.

(6) It has helped to take a lot of trouble, want and worry out of my life as I am persistently compelled to earn the money to live and to pay a premium on my program every month of every year.

(7) It has converted the uncertanties of life to the certain as I have built a financial plan which has remained substantially unchanged.

(8) It has enabled us to enjoy life and has increased the happiness of our family, as we continue to spend almost every dollar we earn except those required for our combined protection and investment program.

(9) It has done so well for us we have seen to it that the members of our family own standard plans of life insurance as soon as possible.

(10) I believe in and follow the principle outlined by a good life underwriter years ago when he said I should buy all the insurance I urgently need and at as high a premium therefore as I could possibly afford.

Some so-called salesmen or counsellors have suggested that the course I have followed is unbalanced and somewhat foolish. But, is it?

When I had only enough money to buy the amount of insurance I considered absolutely necessary for my dependents, I purchased Term Insurance as a purely temporary measure and when, by more careful budgeting of my income and some increase in it, I could arrange ordinary life, limited payment life and endowment plans I did so for the threefold purposes of life insurance that appeal to me:

1. Protection for my wife and family.
2. Cash for any emergency or opportunity during my lifetime.
3. Income for my wife and myself in retirement years.

Two out of three of these purposes require permanent life insurance.

Answering Objections

If I had my life to live over again, after careful weighing of opposing points of view, I would follow the same course again and I will tell you why.

I believe that my life insurance, with its emergency reserves, its great diversification of assets, geographically and by type, is a good hedge against both inflation and deflation. There are some facts about these subjects that I like to tell my friends.

(1) The average man can and is buying twice as much life insurance as he could afford in 1939 and that in itself is a hedge against inflation.

(2) We all know from experience that the high return to estates in many instances, more than offsets the effects of inflation.

(3) The theoretical value of a dollar was very high in the years 1850, 1897, and 1933. It was very low in the year 1867, 1920 and in 1950. I believe firmly that history repeats itself and that dollars invested in permanent life insurance today could be returnable when dollars are again exceptionally valuable. By using optional settlements, as I do, and annuities programmed over years of income, some dollars payable to my family or to me will be low in value but others are bound to be very high purchasing power dollars.

Because the practical value of the dollar is very much more important than the theoretical value, I like to tell people about the survey made by Professor Irving

Fisher, of Yale University, when he found some principles which ring true to the ears of my own experience.

He took as being the normal dollar, that dollar earned regularly by a young married man. He related this to the three great hazards of life and found that in case of death the theoretical dollar of the young man at work had a comparative practical value to a widow of $8.00. To an unemployed or disabled man in their emergency it had a value of $4.00 and to a person no longer earning in old age it had a value, in his dependency, of $7.30.

It is only standard plans of life insurance which are designed to solve all three of the hazards of life, and which meet the permanent needs of our clients. Not long ago I heard one gentleman, of good intention I am sure, advocate the purchase of investment trusts, suggesting that our country is on the skids of inflation to the point that we should neither buy Government Bonds nor permenent plans of life insurance but rather Term Insurance perhaps and certainly equity securities.

Inflation is a serious challenge to our society now, as it has been in lesser degrees in recent years, but why permit fatalistic forecasts of disaster to shatter our confidence and faith in the foresight and wisdom of those in charge of our Government and the greatest of all investment trusts, the institution you and I represent.

Business of all kinds is based largely on faith and confidence. I qusetion, therefore, the conclusions of men who, often for selfish reasons, tell us inflation is going to become considerably worse. The fact is that these men do not know and neither do I. Is it not sensible, therefore, to rely upon long established and tested institutions? They continue to play a major part in a process which has brought the average man of our country about the finest measure of security and prosperity he could possibly find in the world today.

Nationalisation of Insurance

BY PROF. S. P. SHARMA,
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No word has been misused even by veteran economists as the term 'Nationalisation'. Some experts regard state ownership as the determining factor in the scheme of nationalisation; while others are satisfied only with the State Management. There are four variations of Control and Ownership of any economic activity by state and the private enterprise, viz:—

A. Private ownership with private management.

B. State ownership with private management.

C. Private ownership with State management.

D. State ownership with State management.

Further there may be partial management of ownership by the state i.e. mixed ownership and mixed management e.g. in case of public corporations.

Pure private enterprise has been deplored by some eminent writers to such an extent that the private businessman is regarded as the common enemy. "He's an anti-social anachronism and so is private enterprise." H. G. Wells in his Outline of world History regards them as' the robber master of the common weal." Unregulated private enterprise has resulted in untold concentration of wealth in a few hands with the consequent social inequality.

The theory of nationalisation is intricate in itself. The field of insurance requires highly skilled economic experts. When the two are interwoven we get problem which is of the most critical solution. Merely pinning their faith on the point that in nationalisation lies the salvation of the masses is good to on body.

Peculiar nature of insurance business.

Since the earliest stage of our economic evolution, life and property have been exposed to various risks. Though when arising a new type of risk is felt by us, but when we are accustomed to it, we ignore it and either become indifferent to it or transfer it if we are compelled or persuaded and find a suitable transferee. "For the transfer involves cost, present sacrifices, and, if we have steeled ourselves to forget and ignore the risk, we have to have its existence again forced upon our attention that we may realise that insurance represents a quid-pro quo." Some sort of pressure or persuasion is required to procure insurance. In cases insurance is commercially feasible i.e. sold at economic cost with good spread of risks the salesmen are employed to solicit business.

State Insurance.

In case some forms of insurance are not a commercial possibility either due to the absence of sufficient risks or due to high soliciting cost, private erterprise does not enter. Hence the State should enter such fields to fill up the blank. In the last world wars, marine risks, and the hazards of death and the disability of the armed forces were too great, for example, to be borne by the insurers. The private enterprise failed and the Governments of respective states came to cover the risks. Things best done by the private enterprise need not be assumed by the Government if we want to escape the crisis faced by U. K. in nationalising her Coal and transport.

Extravagance of insurers.

When the last Insurance Amendment Act was on the legislative anvil there were many claimants both and teure and insurance experts, who wanted insurance to be nationalised in the interests of the public. The central point of their remarks was the large proportion of management expenses. Nationalisation on this score is now futile to argue because the Insurance Amendment Act has much regimented the expenses by making provision for them in the Insurance Rules. Malpractice on this account has been thus avoided without facing the other technical difficulties of nationalisation.

Growth of Funds.

Insurance is an economic activity which collects small funds from diversified savings of the masses. More so is the case of Life Insurance. If insurance in nationalised much need for forergn capital, will be reduced. The growing funds of insurance may be utilised to finance the nation-building activities of the country. The protagonists of nationalisation assert thus, that they would become self sufficient regarding capital requirements which will be a great benefit during the present period of international jealousies and exchange shortage. Sir Jeremy Raisman raised the voice of nationalisation as far back as 1945 to get revenue for the State. Shri J. P. Narain and Prof. K. T. Shah too support nationalisation further on the ground that "the surplus or profit from such nationalised enterprise will be available for use of the public treasury and to provide financial resources which tax resources cannot provide." But the purpose of insurance is not providing revenue for the State. It has got some other purpose— a broad vista of social service. In other advanced nations the treasury has the incurable habit of making predatory raids on the growing enterprise regardless of its purpose for which it is done and without a n y coherent philosophy of public finance to guide their action. The treasury is therefore, not merely of little use as a controlling agent over finance of public boards, but likely to be positively detrimental to the future development" and this is more so of an under developed nation following the policy of deficit financing.

Savings and nationalisation

Nationalisation of insurance would decrease the form of savings further due to bureaucratic management with little incentive and initiative. This was the view of General Manager of Prudential, London on the proposals for nationalising Industrial Assurance. "Industrial assurance, with its regular and systematic home collections, encourages a steady augmentation of savings while the figures of national savings tend to fluctuate violently and are unhappily present on the wrong side." The same can be said of other forms of insurance which require constant persuasion and servicing. When an industrially advanced nation like U. K. cannot advocate nationalisation of insurance, India can little appreciate it in the present context of economic crisis.

Scope for Investments

Further under the present Act scope for the investment of life fund has been very much restricted. Insurance companies invest a quite a sufficient amount of their funds in the Government and Semi-Government securities. They considerably increased their funds during the last War. In U. K. as well as U.S.A. there was an implied treaty between insurers and the Governments during the last war to acquire gilt edged securities liberally. This was more due to a service motive and the national spirit of the insurers, than on econmic grounds. But during the post-war years there has been a recession again and they have much decreased their gilt-edged holdings. This upward tendency was due to the patriotic and national spirit and the downward trend was caused due to the adherence of the governments to the Cheap Money Policy. India followed suit. The Indian Government securities are held by insurers. This proportion may still increase but for the Government adherence to the cheap money policy. Shri L. S Vaidyanathan Ex-Superintendent of Insurance and Manager, Oriental Government Security Life Assurance Co., Ltd. is of opinion that the objective of the National Planning can be achieved by taking over from the insurers these funds at reasonable rate of interest. In this manner for day to day administration of insurance business, the Government will not have to divert its attention from more important problems. What is needed is not wholesale nationalisation of insurance, but a socialisation of its funds. What I intend to propose is that public authorities should advise insurers to invest their fund in channels predetermined by the National Planning Commission. It should chalk out the plans and provide necessary legislation.

Experiance of Foreign Countries

In U S. A and Canada many insurance companies have formed groups to construct buildings and clear slums with the help of and the guranatee from their respective States. The house shortage of big cities has been reduced to a great extent. The companies earned a better rate of income. The same can be practised in Indian atmosphere also in big cities and industrial towns.

Legislative Steps

But we should keep in mind the security-first principle of sound investment and must not invest in speculative enterprise without reinsurance from the government. Blue-sky scheme should never be touched. Thus through legislative enactment and its enforcement the government may nurse the industry and curb down unsocial and weak minds to ensure its health. In this way without the necessity of nationalisation, we can achieve our targets of alround self sufficiency and the economic development. If the Government takes up large proportion of the funds at some reasonable rate, insurance companies would not be able to dominate the stock market of the country as at present. This would be a further gain to the country.

Insurance — a social service

Social thinkers argue that insurance is a social service and hence should be nationalised and run at the minimum possible cost. Like post, telegraph, telephone and rail and road transport services, insurance is a commercialised social service. The supporters of nationalisation insist their being run on a non-profit motive as the profit motive prevent the companies to think of policy holders' benefit. But such personalities forget that there is profit motive present in the State enterprise also and in addition to that the average tax-payer has to bear the burden of its inefficiency and uneconomic operation. The glaring example on the point is the position of railways and the road transport.

Further the necessity for and the utility of post office and transport services and the communication is so much realised that no means for their publicity are required. Moreover, they are purchased more often than not as against the insurance. A policy of insurance is taken once or twice in whole of life. But the same individual travels and purchases post so many times in his life. Again, for insurance the public is traditionally hostile and needs a systematic and proper appeal to its sentiments. The patriotic motive to win economic freedom has very much, rather, completely, disappeared. In face of too much selfishness it is not possible that a Nationalisation of insurance desirable.

Corruption

The corruption has been most fed by the high price-level. The high cost of living of war time went higher still in the last decade and so went up the level of bribery and corruption in the Government departments and blackmarketing in the commercial and the industrial field. Even thrice proved convicts are left without punishment through the help of some anti-social lawyers.

Bureaucracy

The Insurance is not bought and it is always sold' is a fact which is all the more present in the Indian society. The hostile bureaucrat is unsuitable to run an insurance service. Non-commercial considerations unfit him for the purpose. Psychology of the public quality and the quantity of insurance needed are questions which are of vital importance. They are not matters of routine at the present stage of insurance development.

Vigilance in selection of customers

The post office does not care who purchases the post card or the railway department does not pay much attention as to what happens when a ticket is sold. Due to the heavy demand their business does not shrink. But an insurance company has to select the purchaser and after the transaction too it takes interest in his prolonged life or in the case of general insurance the regular inspection and the suggestions for reducing and eliminating of the hazard are given by the insurance experts and their inspectorate department. Needless to mention that such a function cannot be performed by a government department. A vast army of trained salesmen is needed to acquire more business. A continued service to the client is not possible by government insurance department.

Initiative.

The progress, whatever little, has been made due to the initiative of the enterprise. Nationalisation suits the economic activity which is standardised

and is left with very little chances of progress.'' An officially run insurance department is apt to remain satisfied with a static state of affairs and not being subject to the stress of competition would merely keep itself to the trodden path.'' It is difficult to take quick decisions in many matters, which are too many in insurance, to be easily ignored.

Red-tapism.

Life and other forms of insurance too aar of such a nature that if the contingency insured against has hapened the claims must be paid at the earliest moment. Payment of claims delayed means benefits refused. The late payment will not only perpetuate the troubles but mar the whole featuring benefit of insurance viz., the protection in time of emergency. The red-tapism of the Government will not let this work go on smoothly. Besides this there is a possibility of corruption in this temple of social service too. Hence it is necessary to keep insurance and the government management away from each other.

A foot-ball for Politicians

Further India is now a Democracy. Every step taken by the government has to be taken to and explained in the parliament. But it very offen so happens that a policy or step taken by the officials in business is too initiative to be exposed in an oratorial speech or explained on a piece of paper. Readers of newspapers are aware how infant statesmen split hair in their discussions on matters sometimes quite trifling. But the glib memorandum will certainly carry more weight than the business prudence of man of practical judgment.'' To express in language even the decision itself is an effort: to express the grounds on which it is taken would be a formidable exercise in both psychology and literary exposition... There is a tendency for any official heirarchy to be limited to those decisions that can be readily communicated in language from one functionary to another.'' Insurance is a more delicate activity than Govt. can take up. They shall never be able to take chance and solicit risky-ventures. They will have to be very cautious to be saved from seizures by the political opponents and the discredit of the public at large. The interests of the whole community will further deter the governments to experiment in the field of insurance. On the contrary the private enterpriser can do so freely without jeopardising the wealth and credit of the nation as a whole. Democracy has more a sense of fear of loss than the hope of gain. Its officials are less venturesome and enterprising. Even if they have a power and ability to carry on a certain amount of experiment, its commercial value is difficult to be achieved. To some extent their decisions may have a film of "Politicalisation."

Danger of State Capitalism

The nationalisation sometimes takes the form of State Capitalism in place of the individual enterprises. It means regimentation, curtailment and strait-jacketing of individual freedom. The cost of insurance may shoot up and the amount of claims may further enhance due to lack of initiative in salvaging operations. The industrial waters are stormy now and then if insurance is nationalised, like the railways it would be difficult to carry on the business.

Equality in wealth and opportunity?

Further claimants of nationalisation want that it is required to ensure equality of opportunity and equitability in the distribution of wealth. But even in Russia, the Land of Socialists there is no perfect equality. The perfect equality itself is a tax on the efficiency. In Russia the "divergence of income is astonishingly wide." Unskilled workers for example, the sturdy women who shovel the snow from the streets get 275 rouble a month... a popular writer or a doctor or lawyer, with good private practice.

Avoid Profit motive & Uneconomic units.

Profit motive should be replaced by service motive. Steps should be taken by the Insurers and the state to amalgamate uneconomic units with bigger ones and reduce the overhead expenses. This will reduce the cost of insurance further, and increase the efficiency of insurance services. Income tax concession will further, help insurers to reduce the premiums. The Insurance Department of the Government of various states should be an instance on the point that they are unable to give business at economy and efficiency standards with due privileges and better environments than the private enterprisers. It is desired that the Controller of Insurance should keep a vigilant watch on the private enterprise and act like a guide to the insurers and the public.

Extend Insurance Service Intensively and Extensively

The voluntary services of the insurers need multiplication. The rationalisation of insurance is the need of the hour. Group publicity should be undertaken by the insurers to create insurance mindedness in the Indian public. Efforts should be made to appoint only trained and educated salesmen. Varied forms of policies should be introduced by the insurers to have a wider appeal and non medical policies and sub-standard policies should be widely encouraged. Export of Indian Insurance should also be considered.

Any form of business organisation is a means to an end and not an end in itself. The end is more goods and services at cheaper rates and the satisfaction of the consumer.

Due to the regimentation, equality of opportunity hardly exists. If the person cannot choose his calling, how there is equality in opportunity? Totalitarianism may work well in savagery, war and national distress, but not in peace. This applies with a greater force to the field of business and commerce and more so to the field of insurance. Even in U. K. postal insurance has failed. Insurance in Newzeland has not much developed.

The way out

It appears from the discussion as if I am a propounder of the Theory of Laissez Faire in the field of insurance. In fact there is no magic virtue in public enterprise, no magic vice in the enterprise of of the private businessman, and the converse is equally true." The field of private enterprise needs be regulated and supervised by the state in a way similar as we supervise and regulate the work of our domestic servants. We may take the work from the servant according to our ability of taking it. Private business should be well managed and the state legislation should ensure it by various means. Proper atmosphere should be created by the state to let the private enterprise show its merits. Above all a satisfied staff is the channel through which alone the business can flow in. If it is interrupted with block of inefficiency and the blockades of the insecurity and uncertainty, it is imprudent to think of servicing efficiently. Proper methods of selection and training needs be introduced. Mechanisation of office routine is very much needed in the insurance offices of medium, standard and of small size. And thus transfer the burden to machines.

SERVE AND SELL!

By RODNEY HULL

Mutual Life of Canada, Toronto.

THERE is a saying that "salesmen are born and not made." Don't believe it—the saying is wrong. More salesmen are made than ever were born. Jack McQuaig, a business psychologist, addressing a group of sales managers, warned that in the selection of salesmen they should not place too much emphasis on a man's ability, education and appearance, but rather on his willingness to work and to organize himself. You and I know men who cannot be called "born" salesmen by any manner of means. However, by hard work and by gaining a knowledge of their business, they achieve outstanding records; and whatever qualities they have, hard work is number one in their portfolio.

The ups and downs of selling are not the result of business booms and depressions but result from the salesman's own efforts. Any man who thinks seriously of selling as a career must understand clearly that he must be a "plugger." You have all heard of the "star" salesman and the "born" salesman and I personally have known a good many of both types. So-called "stars" get that way through hard work and prolonged effort. Behind the apparent ease with which they work there is much patient planning and plugging. They build a record for steady and spectacular success by everlastingly keeping at it.

There is another type of "star" salesman who makes the grade in a short time. Early and unusual success sometimes turns his head and he becomes dissatisfied and looks elsewhere for easier pickings. He makes new connections every two or three years, usually on his own terms because of his apparent brilliant record. This type of salesman looks for special concessions, and his influence on other members of the sales force is often demoralizing. Don't model yourself on a temperamental and erratic seller, but study the "pluggers" who are steadily increasing their sales volume.

I have also known many "born" salesmen. They are men with certain definite qualifications but possession of which does not make them expert salesmen overnight. It was not the unusual formation of his larnyx that made Caruso the world's greatest tenor, but years of study and practice in developing his great gift. It was not Edison's mathematical mind that made him an inventive wizard but the thousands of experiments that failed before he found ways to solve whatever problem he was working on at the time.

For both of these men, the spectacular followed steady plugging.

It can be a dangerous thing to be a so-called "born" salesman. You are apt to think that personality is a substitute for

hard work. Give me the plugger every time. To get anywhere worthwhile in selling you must be prepared to plug.

No calling I know of has so many ups and downs as selling; the salesman has his own personal booms and depressions—times when everything comes his way, other times when everything goes wrong Up today and down tomorrow! Steady plugging takes both in its stride and develops a form of technique, undismayed by temporary failure and inspired by success to further efforts. Aim at stardom by all means, but always bear in mind that nothing has yet been invented to carry you through. One foot up and one foot down, hand over hand, is still the best formula for reaching the heights. Salesmen play a tremendous part in our economy. They are of prime importance in the development of our great nation. About 2,000 years ago was born the greatest salesman who ever lived. He turned in the best record ever created by any salesman by selling a new faith to a confused and demoralized world.

Positive Thinking

What is this faith that has lasted through the years? It is as simple as this: "Ask and ye shall receive, and whatsoever is right for you to have, so will you have if you so desire." This philosophy has worked for me and for millions of men. It is very simple and easy to do, though many of us go through life without having it. The secret is the power of positive thought. When a man says he won't be beaten, he will never be beaten—we all know men like that. The power of positive thinking will get you whatever you want. You must ask for what you want, which, of course, must be right. You must affirm your faith that you will get what you want and work like the dickens and surely it will happen.

Organization

Men who succeed in selling, and especially life insurance selling, have one outstanding habit—they are organized and know where they are going. Men who fail in life insurance selling do not fail through lack of salesmanship, knowledge or finances — they fail because they are disorganized and have no place to go. They remind me of the man who found himself walking down the road with a rope in his hand and could not remember whether he had found the rope or lost a mule. To succeed in life insurance selling you must get organized, know where you are going. You must expose yourself to business every day. All successful underwriters know they will fail unless they develop a prospecting habit and a steady pattern of work.

Every agency has a group of men who have ability but are lazy physically and mentally. Life insurance companies supply them with the necessities with which to loaf in dignity. To the public these men are men of substance. They are pompous and know all the answers. They fool themselves and their families by blaming everyone but themselves for their low production and lack of income. They blame competitors, they damn the medical department and always have sound reasons for not making calls. Sometimes, like alcholics, they reform, but not many do. They are negative thinkers. Successful underwriters have enthusiasm, they love their work—it becomes a game and they spend their time trying to beat their previous records. They are positive thinkers and they love their work.

I know a man who truly loves his work. He is 56, came from Lithuania at the age of 12, and took a correspondence course in salesmanship. He entered life insurance work at 21. He spoke very poor English, had no friends, knew nothing about life insurance, but by hard work and organization created a record that sounds fantastic.

When a man like this speaks, we all learn from him. If any man is a "made" salesman, it is he and his life is a perfect example of a man who is in love with his work, works hard and knows what he is doing. Jake also sells ideas. He tells of walking out of his office one bright sunny day when a dirty shoeshine boy convinced him he needed a shine. Picture Jake smoking a big cigar, well dressed—a big shot having his shoes shined by a dirty little shoe-shine boy. Jake suddenly got an idea and said to the lad, "Would you like to make a couple of dollars? Come with me." He took him to the office of a man to whom he had tried to sell life insurance without success.

Jake said to the prospect, "Mo, today's bargain day. We're giving away free shoeshines to our prospects—go right ahead and have a shine on the house." "I don't mind if I do have a shine if it doesn't cost anything," said Mo. "But Jake, business must be awful when you have to give shoeshines away to your prospects." When the lad was finished Jake paid him. "Mo," he said, "business is not bad. I am not giving away shoe-shines to my prospects. I thought you might like to see what could happen to your boys if you were not around to take care of them." Yes, we can all learn from men like that. These men are successful, they love their work and they know where they are going.

Service

As one analyses the methods of selling which are used by the great sales organizations on this continent, we find that their sales forces are taught to serve and sell. If you buy a car and they talk service, but do not give service, you know how you feel about them when they try to sell you a new car. What a thrill it is to buy a car from a company that is truly interested in your welfare! Henry Ford once said that any company that would dedicate itself to public service would make so much money it would be embarrassed by its profits. How right he was!

In a recent issue of Fortune magazine the story is told of a man in Chicago who, a few years ago, bought a car agency which sold 25 cars annually. He called this company *Courtesy Motors* and went on television and described the cars he had for sale. He told the good points and the bad ones. He explained his idea of service, which was that every customer must be truly satisfied or he would give him his money back. Lubricated parts on all new cars he sold would be lubricated for life. The first morning after his broadcast, 250 people were waiting at his door to buy cars and in the space of three years he has built a business with a volume of 12 million dollars. He has $200,000 in the bank, and owns $400,000 of life insurance. What was the reason for the phenomenal success of Courtesy Motors? Did he have something new? Was it television? No—he was sincere, he was honest and he knew the secret of serving and selling.

I give you this thought—base your business life on serving and selling. When making a new call, open your talk on a note of service. Impress the prospect with your desire to serve. This can be done by passing along ideas which apply to his business. I think I have impressed many of my clients, as it is amazing the number of calls I get for information about various subjects.

Have the courage to suggest things to your client—"I suggest this; I recommend that you do that; based on my experience I think it would be wise to do this or that." By so doing, you will become a counseller. People will come to you for advice. Above all, have the courage to suggest that they buy life insurance now.

Sell Money

Don't sell life insurance as such, sell what life insurance will do. Life insurance is money and that's what your selling—dollars. It's amusing to hear wise men say we are living in a period of inflation and common stocks are what you should buy — who knows what life insurance will be worth ten years hence? My answer is, "Why buy common stocks when they are at an all-time high? Buy dollars at an all-time low. How can you lose?"

A man decided to build a house for $40,000. After he had committed himself, he became worried, irritable, couldn't sleep and wished he had never thought of building. His partner became alarmed at his mental attitude, but one day the fellow came in smiling and said, "This house I am building is going to have a new kind of magnetic light switch. When you turn on ordinary switch it goes click, but magnetic switches are silent. These new switches cost $2.85, while the old ones cost only 75c. The contractor has told me confidentially that the quality through the whole house is to be of the same high standard." You know what happened—the contractor sold him an idea. He sold him a switch and threw in the house for luck.

Balance

We all have faults and virtues. If you can learn to balance your faults with your virtues by doing the things that should be done even though you do not like to do them, you will become rich. Rich men become rich by forcing themselves to do things that most men do not like to do. If you think along these lines and balance your faults with your virtues you will get as rich as the flea who got so rich that he bought his own dog.

Motivation

Emotion plays a tremendous part in our work. Sell from the heart, not from figures and facts. As radar cuts fog to outline the objective, so must our story reach the heart.

Think of life insurance as a shelter in a time of storm. Sometime ago I sat in a man's house, the wife on one side, the husband on the other, assessing their financial picture. All their life insurance was assigned to the bank. The woman suddenly said, "Why buy life insurance? Every time we get into trouble we have to borrow on our life insurance. You know Mr. Hull, when we were first married, my husband had a substantial insurance estate with several thousand dollars of cash surrender values, and what happened? We borrowed on it to buy a house. We got that paid off and we borrowed to have a family. I took sick and we borrowed to pay hospital bills. Five years ago we got clear and what did he do? He borrowed on his life insurance to buy a summer cottage, and now we have borrowed on the life insurance to buy a new car. What's the use of having life insurance?'' Here was a perfect story of shelter in a time of storm. Without their life insurance, would they have had a home, a car, a summer cottage?

Success Necessities

I would like to leave with you a few points of importance in selling:

1. Desire to serve — passing on ideas. Serve and sell.
2. The ability to tell a good story about your product.
3. Courage to suggest and recommend, based on your experience. Become a counsellor.
4. Sell ideas.
5. Serve and sell—have the courage to suggest they buy life insurance now
6. Tell a good story about your company.
7. Keep your head among the stars.

People like to do business with a man who is excited about his work. Set yourself a goal. It is amazing what you can do if you think you can.

Most successful men play a game of trying to beat their previous records. Aim for member-ship in the Million Dollar Round Table, the highest measure of achievement in our business, the market of a successful man. It creates prestige—it's yours if you want it. Set your goal at $ 100,000 a month and believe you can do it. The magic of believing is such that if you have faith and work like the dickens, it really will come true for you. After ten years in this business, I have more faith in the future and more faith in the business than when I entered.

Through all these years I have done something more than serve an appreciable list of clients. I have made many, many loyal friends. It seems that a relationship that starts professionally almost invariably reaches a very close and personal level. This, to me, is a truly great source of satisfaction. I wouldn't be in any other business.

Insurers' Views on Indian Insurance

(Extracts from the 1952 Annual Reports)

BY SJT. VELJI LUKHAMSI, *Chairman, "Industrial & Prudential"*

WHILE nothing definite can be said about the future rates of interest, I feel that although short term rates will have their ups and downs, the rate of interest on long term investments with which we are mostly concerned is more likely to rise in the coming years than show a downward trend. The present period is the product on the one hand of high cost of buildings, plant and machinery and on the other hand of truncated savings both corporate and personal as a result of severe taxes which have made heavy inroads into profits thereby squeezing the profit margin indefinitely. When capital is in demand and savings are shrinking obviously there will be a rise in the long term interest rate. It is to be seen to what extent and how far the Government action can direct the natural forces to deviate from their full effects. It will be significant to note that the Government have recognised the necessity of meeting capital expenditure, first by drawing upon the cash balances and then by deficit financing. It is expected that in time to come a sum not less than Rs. 140 crores is proposed to be raised by additional borrowing and Treasury Bills. It cannot be denied, however, that Government are aware of the danger inherent in such a course of action. In this connection, it will be pertinent to recall the assurance once given to the country by the Honourable Finance Minister Shri C. D. Deshmukh that the effects of deficit financing on national economy will be kept under constant watch and adequate steps will forthwith be taken to counteract any unhealthy developments and it is hoped that this assurance will be given effect to, whenever an occasion arises.

Gentlemen, I may now be allowed a few words on the events of the years. Since we last met, the important event in the year was the publication of the full details of the Five Year Plan. Shortly, thereafter, a report on the working of the first two years of the Plan was presented before the Parliament by Shri Gulzarilal Nanda, the Chairman of the Planning Commission. The Plan envisages large outlay on agriculture, Community Projects, Irrigation, Power, Transport and Communication, Industries and other social services, chiefly out of such resources as are reasonably expected, such as taxation, internal borrowing, such foreign aid as may be available and lastly by deficit financing. I hope that with a stable Government for the next four or five years and progressively increasing financial and such other help from the leading democracies of the World the success of the various projects undertaken is fairly assured. It is expected that the country eventually shall enter into an era of substantial increase in food, daily necessities of life and industrial production. This in its turn will go a long way in raising the standard of living of the people. Gentlemen, I have a feeling that with the improvement in the standard of living the general desire on the part of each individual to assure to the posterity, improved standard of living will take concrete shape in the form of voluntary savings and insurance. The successful implementation of the plan is bound to have very favourable effect on Insurance business.

It is not only upon the plan and the various schemes undertaken under its aegis that I look forward for the extensive development of Life Insurance. Our Government, like all welfare States, have been enacting legislations designed with a view to improving the general condition and the health of the working population. In this connection, I would briefly refer refer to the two major legislations passed by the Government, to wit, the Employees' Provident Fund Scheme and the Employees' State Insurance Scheme. The Employees' Provident Fund Scheme, I am told, will cover six specific industries employing a total labour force of about sixteen lac workers. It is perhaps relevant to observe here that more than half of the Industrial labour in the country would get the benefit of the scheme. Evidently, the scheme has provided a very necessary and useful apparatus whereby the industrial labour who are generally illiterate will be compelled to contribute a part of their earnings and thus save the same. One of the most commendable provisions of the said scheme is that while the members will be denied loans to meet day to day expenses or other expenses, they will be allowed to raise a loan for payment of insurance premiums.

As regards the Employees' State Insurance Scheme, you are perhaps aware that this is the first health insurance scheme in our country and is calculated to give insurance cover to about two and half a million industrial workers. Although modest in design, the scheme is manifestly a step in the right direction.

I would now refer to a development which will vitally influence the future of Life Insurance in our country namely the Estate Duty Bill 1952. The Bill which is now before Parliament proposes to levy a duty on Estates passing or deemed to pass on the death of an individual. The title of the State is to be a paramount title on the Estate of a deceased person and those who take the Estate either under a testamentary disposition or on an intestacy shall be liable to pay Estate duty in the first instance. It is gratifying to note that the Bill provides for a specific exemption amongst others in respect of proceeds of life assurance policies from the levy of Estate Duty, whereby moneys payable under one or more policies of life assurance effected by a deceased person on his life for the purpose of paying Estate Duty or assigned to the Government for the said purpose will be exempt to the extent of Duty payable. I feel that keeping in view the backwardness of insurance habit in our country and to give a fillip to insurance business the Government should consider exemption for moneys payable under one or more policies of insurance effected by a deceased person on his life to the extent of at least Rs. 50,000.

Gentlemen, I have reviewed broadly the events of the year, that touched our trade one way or the other. I will now turn my attention to certain internal developments which have a bearing on our trade. You are all aware that to check the evils which are generated during the postwar years in the conduct of business such as acquiring control of life insurance companies, interlocking of funds etc., the Insurance Act was amended. Time alone will show how far these amendments will help in remedying these evils and putting our trade on healthy lines. I, however, have a feeling that the confidence of the people in Indian Insurance cannot be sustained merely by legislations. There must be voluntary and earnest efforts on the part of companies to but their houses in order.

The "Code of Conduct" issued by the Executive Committee of Life Insurance Council, though a step in right direction, I feel that it is ultimately the companies who should so act as not to force the Government to undertake further drastic measures. I, therefore, hope and trust that companies will co-operate in implementing the "Code of Conduct" and render whole-hearted co-operation to Government in order that Life Insurance business in our country may be placed on a sound footing.

By SHRI L. N. GUPTA, I.A.S., *Chairman, "Hyderabad United"*

FIVE Year Plan: India has now set itself seriously to the task of implementing the First Five Year Plan that has been before the country for some time. Banking and insurance can play an important role in the financing of the plan by mobilising the savings of the country in a constructive channel and thus contribute towards the success of the plan. This is a noble task to which all insurers are called upon to give their support. This is only possible if we all work together in a spirit of mutual co-operation and regard insurance as a national service and not as a means of promoting the interests of a particular individual or a group of individuals.

Code of Conduct: Turning to the problems facing insurance, the most serious ones and those that most urgently call for attention are the problems of rebating and the competition offered by insurers who disregard the tariffs and the law in perpetuating malpractices for procurement of business. Your Directors welcome wholeheartedly the proposal to enforce among general insurers a Code of Conduct as also certain constructive suggestions from some of the members of the Advisory Committee. I strongly wish that the steps taken in this direction by the Advisory Committee of Directors of the Members of the Indian Insurance Companies Association would bear fruit. It is gratifying to note that some of the bigger Companies do realize the need for giving reasonable facilities to the smaller concerns in order to enable them to develop on sound lines. I hope as a result of these deliberations some constructive proposals will emerge which would be acceptable to Executive Committee of the General Insurance Council. In the interest of maintaining cordial relations between all the insurers in India, it is very necessary that the scheme which finally takes shape should safeguard the interest of the younger and smaller companies.

(*Continued on page 27*)

Review

Andhra Insurance Company, Ltd., Masulipatam.

ANDHRA Insurance Co, Ltd., Masulipatam is noted for its steady and regular progress from its inception and it has been built up on sound methods of business organisation. The accounts for the year 1952 show that the financial strength of the company has further increased during the year and the premium income in the General Department particularly has shown an increase. During the year the Company issued 7765 new Policies assuring sums of Rs. 1,73,92,875 with a first year premium income of a little over Rs. 8 lakhs. The renewal premium income amounted to Rs. 30.78 lakhs while interest income increased to Rs. 5.39 lakhs.

Claims by death and by maturity arose for sums of Rs. 3,34,213 and Rs. 4,73,313 respectively and the mortality experience of the company continued to be favourable. The management expenses on the renewal premium income amounted to 16.7 %. After providing a sum of Rs. 3,05,000 towards Investment Reserve Fund which stood at the end of the year at Rs. 9,05,000, the Life Assurance Fund was raised to Rs. 1,80,38,921, an increase of about Rs. 20 lakhs over the preceding year.

In the Fire & General Department, the combined net premium income at Rs. 4,59,500 compares with Rs. 3,95,747 in the previous year, thus showing an increase of Rs. 63,753. The claims paid during the year amounted to Rs. 1,06,417 and reserves have been set up at 40% in the case of Fire & Accident departments and 75 % in respect of Marine department. The funds of the Fire, Accident and Marine departments amounted to Rs. 71,424, Rs. 1,06,074 and Rs. 11,816 respectively.

The Management has to be congratulated on maintaining the progressive growth of the institution and serve the public efficiently and to their benefit. The institution has to its credit a record of satisfactory service to the public and enjoys a large measure of public confidence. It is to be hoped that the institution will grow more and more in size and prestige and serve an ever-increasing number of its policyholders. We wish the company all success.

New Asiatic Insurance Company, Ltd., Delhi.

INCORPORATED in 1933, the New Asiatic Insurance Co., Ltd., Delhi, is one of the few progressive companies in the country that had followed a vigorous policy of expansion from the very start. With a directorate among whom there are very prominent and influential public men headed by Shri L. N. Birla as Chairman, it was not difficult to create a wide organisation in all important centres and the result had been highly gratifying. All kinds of insurance business just as Life, Fire, Marine and Accident are transacted. The business progress as revealed by the Accounts for 1952 has been very satisfactory and the financial position still further strengthened.

In the Life Department, the new policies issued were 10056 assuring sums of Rs. 2,79,96,450, the average sum assured per policy being Rs. 2,790. The net premiums totalled Rs. 73,06,333 while the revenue by way of interest, dividends and rents amounted to Rs. 10,01,954; the interest yield was 3.75 % on the mean Life Fund. Claims by death and by maturity amounted to Rs. 6 07,163 and Rs. 2,73,284 respectively. The management expenses absorbed 15 % of the renewal premium income. At the end of the year, the Life Fund showed an increase of Rs. 44,10,185 over the previous year and amounted to Rs. 2,94,45,428.

The underwriting results in the Fire Department had been very gratifying and there was a profit of [illegible]. The net premium income was Rs. 12,03,844. The Marine Department accounted for a premium income of Rs. 8,71,191 and after meeting all expenses and claims, there was a loss of Rs. 2,50,056. In the Motor and Miscellaneous Department, the net premium totalled Rs. 17,27,130 and this department showed a profit of Rs. 47,286. Reserves have been created in all the departments at 40 % of the premium income of the year. The Reserves and the Funds of the General Business amounted to Rs. 34,47,333.

After all adjustments, the Profit and Loss Account had a balance of Rs. 3,16,880 out of which Rs. 83,364 has been transferred to Life Department as refund of Income-tax on their account and a provision of Rs. 85,000 has been made for taxation. Out of the balance of Rs. 1,48,516, Dividend for the year has been paid at Rs. 5/- per share. The balance of Rs. 23,516 has been carried forward.

It is creditable that the management has, in the course of about 20 years, achieved substantial results and this record affords abudndant proof of a still brighter future. With the assets totalling over Rs. 4.05 Crores and with the popularity gained so far, there is no doubt that the Company will progress from strength to strength. We wish the company all success.

News

Employees' State Insurance

Implementation of Scheme

Mr. V. V. Giri, Labour Minister, said in the Council of States on 8th September that financial difficulties of State Governments had proved a stumbling block in the execution of the provisional schedule as regards implementation of the Employees' State Insurance scheme. The Governments had, however, done their best to co-operate with the Employees' State Insurance Corporation.

Mr. Giri told Mr. B. V. Kakkilaya that the Corporation was in touch with the State Governments concerned and the Central Government were also assisting them in the conclusion of necessary agreements. It was hoped that the second half of 1953 and 1954 would witness extension of the scheme in large areas in the country.

He disclosed that the Government of West Bengal had informed the Corporation that it might be possible to implement the scheme in the Howrah district and Calcutta city towards the end of 1953. The Centre was also in touch with the Bombay and Madras Governments to get early implementation.

Mr. Giri said that the scheme had been introduced in the Delhi State and in the Kampur area of U. P. with effect from February 24, 1953 and in seven industrial areas in the Punjab, namely, Amritsar, Ludhiana, Ambala, Abdullapur (Jagadhari) Batala, Jullundur and Bhiwani with effect from May 17, 1953.

The number of employees covered in the three States was 40,003, 84,000 and 32,000 respectively. Upto June 30, 1953 the amounts collected from workers and employers were Rs. 38,95,804 and Rs. 1,74,16,218 respectively.

Institute of Actuaries Exams: 1953.

The following candidates completed their Fellowship and Associateship examinations in the last examination held in April 1953, in different centres in India.

F. I. A.

Mr. Uma Charan, General Assce., Ajmer.
,, T. Ghosh, Calcutta Insce, Calcutta.
,, H. Dutta, Calcutta.
,, S. Hariharan, Oriental Life Office, Bombay.
,, N. N. Harshe, Andhra Insce, Nagpur.
,, J. F. Parlthoo M/s. Faredoon & Burjor, Bombay.
,, D. S. Juneja, Khalsa College, New Delhi.
,, D. B. Umarani, Deptt of Insce, Simla.
,, S. G. Subrahmanyam, Bombay Life, Bombay.

A. I. A.

Mr. N. Sundaresan, Deptt. of Insce Simla.

Indian Insurance Society, Calcutta.

The following gentlemen have been elected to the Executive Committee and as Office-bearers for the session 1953-54:—

Mr. W. G. Wylie, (Norwich Union Fire), President.
,, B. C. Rakshit (National Fire), Vice-President.
,, K. P. Modi (Ruby General). Vice-President.
,, P. Balan (United India Fire) Hony. Secretary.
,, P. M. Poulose (Great Pyramid) Hony. Jt. Secy.
,, K. C. Dey (Steel Bros.) Hony, Treasurer.
,, D. Das Gupta (Hidusthan Gl)
,, D. A. L. Thomas (Caledonian).
,, G. Basu (Queensland).
,, Amarjit Sen (Atlas).
,, Basak (National Fire).

Under the auspices of the above Society a Lecture meeting was held on 5th August 1953 at the Hall of Indian Chamber of Commerce. Mr. H. M. Taylor of the Royal Insurance Co. Ltd., London, spoke on "Engineering Insurance." The meeting was well attended.

Postal Life Insurance Fund Scheme

The Postal Life Insurance Fund of the Government of India has made highly satisfactory progress in recent months. Already steps have been taken by the present Director, Mr. S. C. Jain, to popularise it widely among Government employees. A neatly printed Prospectus has been issued setting forth the benefits and the relevant rules and regulations of the scheme. It may be noted that the Fund's total assurances in force amount nearly to Rs. 23.16 crores; Life Fund exceeds Rs. 11.86 crores and the total annual premium Income exceeds Rs. 86.50 lakhs.

Mr. M. C. Shah, Deputy Finance Minister, told Parliament recently that the Government was seriously considering a proposal to extend the scope of the scheme to employees of Government, quasi-Government and even commercial and industrial undertakings.

Agartala Insurance Workers' Association

At a recent meeting of the Agartala Insurance Workers' Association, the following gentlemen were elected office-bearers and members of the Executive Committee for the session 1953-54:—

President: Mr. S. P. Das (Prithvi)
Vice-Presidents: Mr. D. C. Chakravarti (Asiatic Govt.)
Mr. P. K. Chaudhury (Lakshmi)
Hony Secretary: Mr. P. K. Sen (National)
Treasurer: Mr. C. R. Burman (Asiatic Govt.)
Asst. Secretary: Mr. N C. Bhattacharjee (East India)

Executive Committee: Messrs. J. C. Saha (New India); S. C. Roy Chaudhury (Oriental); S. C. Chaudhury (Prithvi); S. Chakravarti (Asiatic Govt.); M. M. Das (Lakshmi); S. K. Chakravarti (Hindusthan Co-operative); N. G. Chaudhury (General) and H. P. Kar (Andhra).

(Continued from page 23)

Pool Business: I am happy to inform the shareholders that as a result of the intervention of the Government of Hyderabad and the goodwill shown by the Members of the Committee of the Pool a workable arrangement has been arrived at for the distribution of the business of the concerns controlled by the Government of Hyderabad between the Pool on the one hand and the two local insurance concerns, the 'Hyderabad United' and the Co-operative General' on the other. I am sure with the cordial relations existing between the two local Companies and the Indian Insurance Companies Association, the new arrangement would have a safe and smooth working.

Late Janab H. S. Hussain

Janab H. S. Hussain, B.A., B.L., a Director of The Canara Mutual Assurance Co., Ltd., who was ailing for the last few months passed away on the 28th August 1953 at Madras. In this connection the Directors of the Company have passed the following resolution in their latest *Meeting:—*

"Resolved that the Directors of The Canara Mutual Assurance Co., Ltd., express their great sorrow at the sad and untimely demise of Janab H. S. Hussain, a Director of the Company. He was a man of sterling qualities and of erudite learning. His qualities of head and heart endeared him to one and all. The Directors pray God to bestow perfect peace to the departed Soul."

New Director for "Canara Mutual"

In the vacancy caused in the Board of Directors of The Canara Mutual Assurance Co., Ltd., by the death of Janab H. S. Hussain, B.A., B.L., the Directors have co-opted Sri P. Shripathi Acharya, B.Com., Agent, Sri Sode Vadiraja Math, Udipi, as a Director of the Company.

Orissa Insurance Agents & Organisers League

The Second Annual General Meeting of the "Insurance Agents & Organisers League" was held at Mohammadia Bazar, Cuttack, where a large number of Organisers of various Insurance Companies were present. Resolutions were unanimously passed.

1. Expressing their deep sense of grief on the sad and untimely death of late Paresh Sen, Organiser of Hindusthan Insurance Co., Ltd. and Dr. Shyama Prasad Mukherjee and conveying sympathy to the bereaved family.
2. A demand was also made in another resolution for an impartial enquiry into the cause of death of Dr. Mukherjee.
3. The secretary of the League was authorised to represent the grievances of the Members to the respective Companies for redress.
4. The following Office bearers were elected for the current year.

1. Sri Prasanna Kumar Nanda, B.A., D.Ed. President.
2. Sri K. Prakash Rao, Secretary
3. Sri B. N. Nayak, } Joint
4. Srimati K. Radha Bai } Secretaries
5. Sri Ambarish Prasad Das, Treasurer

It was decided that a Monthly Magazine in Oriya titled BEEMA was to be published from the next month as the organ (mouth-piece) of the League.

Reinsurance

The Finance Minister in reply to a question stated in Parliament that the proposal to establish reinsurance concerns in India was under the Government's consideration. We have on several occasions stressed the need for the establishment of a reinsurance corporation. At present Indian insurance companies look abroad for reinsurance cover. It is gratifying to note that the question is engaging the attention of the Government.

Insurance Gazette.

Mr. V. Ramabrahmam, B.A., Insurance Publisher of Vijayawada, has been nominated as the Member of the State Transport Advisory Committee, Government of Madras. He is a Member of the Indian Roads Development & Transport Association, Madras, Member, Executive Committee, All India Motor Unions Congress, Delhi.

Police Co-operative Life Insurance Society, Ltd.

Mr. B. B. Dotto, Secretary, "Police Co-operative" returned to Calcutta early in August after an extensive tour of Bihar during which he discussed with senior police officers of the State, questions relating to the organisation of the Society in Bihar.

Jamadar Shew Nath Singh of the Calcutta Police, who did a large volume of business for the Police Co-operative Life Insurance Society, Ltd. as an honorary worker, has just retired from active service and joined the Society as a Staff Organizer from 1st August, 1953

A Pleasant Function:

Mr. B. M. Hanafin, President of Messrs. W. A. Baum Co. Inc. of New York, the Manufacturers of World famous life-time Baumanometers came to Calcutta by Air on the 11th September, 1953 evening to meet Mr. B. B. Dotto, Chief Medical Officer, Police Co-operative Life Insurance Society Ltd., whose writings in the medical and insurance Press have added to the extreme popularity of Baumanometers in India, Pakistan, Burma and Ceylon. Mr. Dotto arranged for a Coffee Party in honour of Mr. B. M. Hanafin on Tuesday, the 15th idem evening at the Office of the Police Co-operative Life Insurance Society Ltd. The Party was largely attended and among the gentlemen present prominent were Mr. S. D. Srinivasan, M.A., F.I.A., (Lond.), President, Indian Life Assurance Offices Association and General Manager, National Insurance Co., Ltd. and National Fire and General Insurance Co., Ltd., Colonel J. L. Sen, M.B., B.S., M.C., I.M.S., Chief Medical Officer, Hindusthan Co-operative Insurance Society Ltd., Mr. H. K. Sen, M.Sc., A.C.I.I., F.F.A. (Edin), A.I.A., (Lond), C.I.E., President, Indian Insurance Institute, Mr. G. C. Pal, B.A., LL.B., M.L.A., General Manager, Aryya Insurance Co., Prof. S. C. Chatterjee, M.A., LL.B., F.C.I.I., (Lond.), C.I.E., of Calcutta University, Dr. R. K. Dutta Chowdhuri, B.Sc., M.B., B.S., Chief Pathologist, Seva Sadan and Chittaranjan Cancer Hospital, Ft. Lt. S. P. Chatterjee, M.B., B.S., D.T.M. of the Indian air Force, Dr. R. K. Bhattacharjee, M.B., B.S., Chief Pathologist, Calcutta Police

Hospital, Dr. A. K. Ghosal, M.B., B.S., Pathologist, Calcutta Laboratories, Mr. S. C. Das, M.A., Managing Director, General Printers and Publishers, Dr. Samanendra Narayan Sen, M. Sc., D. Phil, of the Indian Association for the Cultivation of Science, Mr A. C. Niyogi, M.A., Secretary, East India Insurance Co., Mr. A. T. Banerjea, Managing Editor, Insurance Herald, Mr. Sukumar Lahiri, Managing Editor, Insurance Underwriter, Mr. Baidya Nath Biswas, Editor, Union Board, Mr. Amalendu Roy, Manager, Insurance world, Mr. Bonoy Bhusen Bose, Editor, Jeebon Beema, Mr. P. Roy B.A., A.M.I.F.E., (Lond.), Equipment Officer, West Bengal Fire Services, Mr. J. D. Long, Technical Adviser, D.V.C., Mr. S. S. Palit, Development Officer, D.V.C., Mr. R. Krishna, Manager, Adrema Ltd., etc. etc. A special feature of the Party was the demonstration of walltype, 300 mm. and Kompak Model life-time Baumanometers and Spiral, Air-lok and the new cleanable Air-lok Cuffs Mr. Hanafin has himself recorded the Blood Pressure of Mr. S. D. Srinivasan, Mr. G. C. Pal and Mr. Benoy Bhusen Bose. It may be recalled that Mr. Hanafin has designed the new cleanable Air-lok cuffs, which have recently been introduced in American market and acclaimed as the best by the physician and surgeons on account of extreme simplicity and effectiveness. Colonel Sen and the other medical men present at the party greatly appreciated the Air-lok cuffs.

Messrs. A. K Bhattacharjee and Monmatha Nath Ghattak were all attention to guests.

Mr. B. B. Dotto Honoured.

We have pleasure to announce that the Insurance Mission of the Government of the Union of Burma, led by Mr. U. Maung Maung, B.Sc., R. A., have left Rangoon by air for Bombay on the 4th September, 1953. The Leader of the Mission has been advised to drop in at Calcutta on their way home, to discuss with Mr. B B. Dotto, Chief Medical Officer to the Police Co-operative Life Insurance Society, Limited, on medical life assurance problems. This is a signal honour to Mr. Dotto, who is the only individual Chief Medical Officer in India to be consulted by the Insurance Mission. The authorities are greatly impressed by the authoritative books and writings of Mr. Dotto on medical life assurance as appeared from time to time in the medical and insurance Press. We are really happy at the recognition of Mr. Dotto's unique experience in medical life assurance by the Government of the Union of Burma and hope this will be the forerunner of many more honours to follow. It is well-known that Mr. Dotto has long earned international reputation in medical life assurance and his latest work "Hints on the Assessment of Sub-standard Risks in Life Assurance" has added new lustre to his name. This authoritative book has been extensively sold in India, Pakistan, Burma and Ceylon, East African Insurance Companies and medical men have also purchased the volume and orders have been received from England as well.

Legal

Madras High Court allows Insurance Claims on appeal.

Their Lordships Mack and Krishnaswami Naidu, JJ, delivered judgment recently, allowing an appeal against the judgment of the Additional Subordinate Judge Coimbatore, who had dismissed a suit filed by the claimant, widow of the deceased against a prominent Indian Insurance company for the recovery of Rs. 52,750, on an endowment policy for Rs. 50,000 with profits for 20 years, taken up by her husband in June, 1945.

The insured had assigned the policy to his wife and paid the first and second premia before he died in a nursing home after an accident, necessitating an operation to his thigh. After his death his widow claimed the insurance amount. The company repudiated the liability on the ground that the assured had given false and inaccurate answers to some questions on the proposal for insurance and in the personal statement before the company's doctor to the effect, that he had no previous ailment or sickness and that he had never consulted a medical practitioner. The widow then filed a suit in the court of the Additional Subordinate Judge, Coimbatore, for the recovery of the amount. The Subordinate Judge dismissed the suit upholding the contention of the defendant company. Against that judgment, the plainitiff preferred the present appeal in the Madras High Court.

Their Lordships allowed the appeal and gave a decree as prayed for in the suit, with cost, for Rs. 52,750 and interest at 6 per cent from August 16, 1946, the date on which the necessary proofs were supplied to the company by the widow.

Analysing the evidence in the case, Their Lordships stated that, in this case, they had no evidence whatsoever from any person who had put any one of the questions noted in the form to the assured who was ignorant of English, as to how they interpreted them to him and who typed the answers in the form. With not a single one of these witnesses examined, the defence of the insurance company exposed itself, in the first instance, to the criticism that it failed to furnish strict legal proof that the assured, in fact, had given negative answers to the questions regarding his illness, etc. There had been failure on the part of the company to examine even one witness about the document in which the answers of the assured had been recorded. In the present case, the insurance company having obtained this contract of insurance from a man now dead, had sought to enforce the contract literally taking it by itself to the exclusion of other contemporaneous circumstances

"The liability," Their Lordships further said, "is sought to be repudiated solely on the testimony of a single doctor that some negative answers to some questions, really difficult to answer in the limited space provided in the form, were false and inaccurate. We have indicated above that mere signature of an insured person who does not understand English, on these forms with the binding declaration in English, is not enough to prove his knowledge of what he was signing and to bind him literally and irrevocably to such a contract. It is an elementary law of justice that a person cannot be bound in law by his signature to a document which he does not understand. In the case of illiterate persons, it is, in our opinion, necessary that the person who interprets the form to them and records their answers, must be examined before they can be bound by the consequence of their marks or answers. The legal principle or theory about the binding nature of the contract, if pushed to the extreme logical sequence, may more often than not, result in grave injustice, as in the present case, if not in absurdity. It is true that hard cases must not be allowed to make bad law. But on the contrary, good law should not be permitted, by misapplication to be pushed to such literal technical extremes as in the defence of the present action and degenerate into a mechanical machinery which results in injustice without regard to the human background, facts and circumstances.

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